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Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

Buying groups shift strategies to react to changes at retail

NEW YORK — The recent growth of "power retailers" in the consumer electronics and major appliance business is forcing some major changes among the buying groups that serve the industry.

First of all, the groups are more popular than ever. Smaller retailers who saw no reason to join in the past are now clamoring to get in. And they're not always succeeding.

At the other end of the spectrum, the major chains, many of which are rapidly expanding, often find themselves doing business in the same market as a fellow group member. The days of peaceful coexistence seem to have all but passed.

All of this has led to a surge in the growth of many buying groups. Some new organizations are being formed. Existing groups are reorganizing (in one case splitting in two) to better serve the needs of their members.

And these members feel that buying groups are more important than ever before. Pricing, of course, is key. But beyond that, the retailers say, they rely on additional benefits such as financial deals, information on current pricing, rebates and insurance discounts to make the big difference on their balance sheets.

For a complete look at the state of today's buying groups, turn to page 13.

WHAT'S HOT IN MAJOR APPLIANCES?

	Projected '85 Unit Sales to dealers (in thousands)	% Change from '84
Room Air Conditioners	3,120	+ 0.5%
Dehumidifiers	607	+ 2.7%
Dishwashers	3,486	– 0.1%
Built-In	3,245	0.0%
Portable	241	– 2.0%
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Upright	593	– 6.1%
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Electric Ranges	3,049	– 0.8%
Free-Standing	2,482	– 0.6%
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Gas Ranges*	1,720	– 0.7%
Free-Standing & Set-In*	1,519	– 1.1%
High Oven*	91	0.0%
Built-In*	110	+ 3.8%
Microwave Oven/Ranges	10,863	+19.0%
Washers	5,154	+ 2.1%
Dryers	3,767	+ 2.3%
Electric	2,993	+ 2.1%
Gas	775	+ 2.8%

Figures Courtesy of the Association of Home Appliance Manufacturers, AHAM

*Figures obtained from a consensus survey of members of the Gas Appliance Manufacturers Association (GAMA) in late 1984

Falling VCR prices help to increase sales but devastate margins

STAMFORD, CT — VCR prices are continuing to plummet, according to retailers, some of whom report making adjustments almost on a daily basis.

Beta models, the dealers say, are going for as little as $169. And VHS is not faring much better, with low-end units selling for $188 in some stores.

As for margins, the retailers say, they too are suffering, falling well below the 20 percent point in many cases. And increased volume is not making up the difference.

High-end units are not immune to spiraling prices either. One retailer said he's selling a Beta hifi unit for $399 and a VHS hifi model for $499.

Just how low can prices go? Get the retail reaction on page 43.

MICROWAVES TAKE STAR BILLING again this year in major appliances. Unit shipments are expected to increase about 19 percent over last year. What else is hot in major appliances? See page 33.

Housewares departments make room for microwaves

NEW YORK — Rapidly falling prices have led a number of department stores to relocate their microwave ovens in the housewares department, a move that some say is paying handsomely.

Prices have declined to the point where microwave ovens don't cost all that much more than some other kitchen electrics, the dealers note. And microwave ovens, along with cookware and bakeware, can produce a profit-generating mix.

In addition, as consumers become more familiar with microwave technology, they no longer need the informed sell that they once did. Also, lower prices mean it's no longer as feasible to sell the ovens in a commission-oriented electronics department.

Not all deparment stores, however, have made the switch. Some continue to sell the ovens in the electronics department. Still others find that the microwaves-as-housewares tactic may work in some stores, but not in others.

Details about the microwave oven's big move into housewares on page 25.

'3 bedrooms + computer' sells homes in California

LANCASTER, CA — Turning a personal computer into a home appliance is no longer fiction. Nevertheless, dealers continue to

It pays retailers to shop around ...choosing long-distance service

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Susan Matthews . associate publisher
Lee Rath . . . . . associate publisher
Aaron Neretin . editorial and marketing consultant

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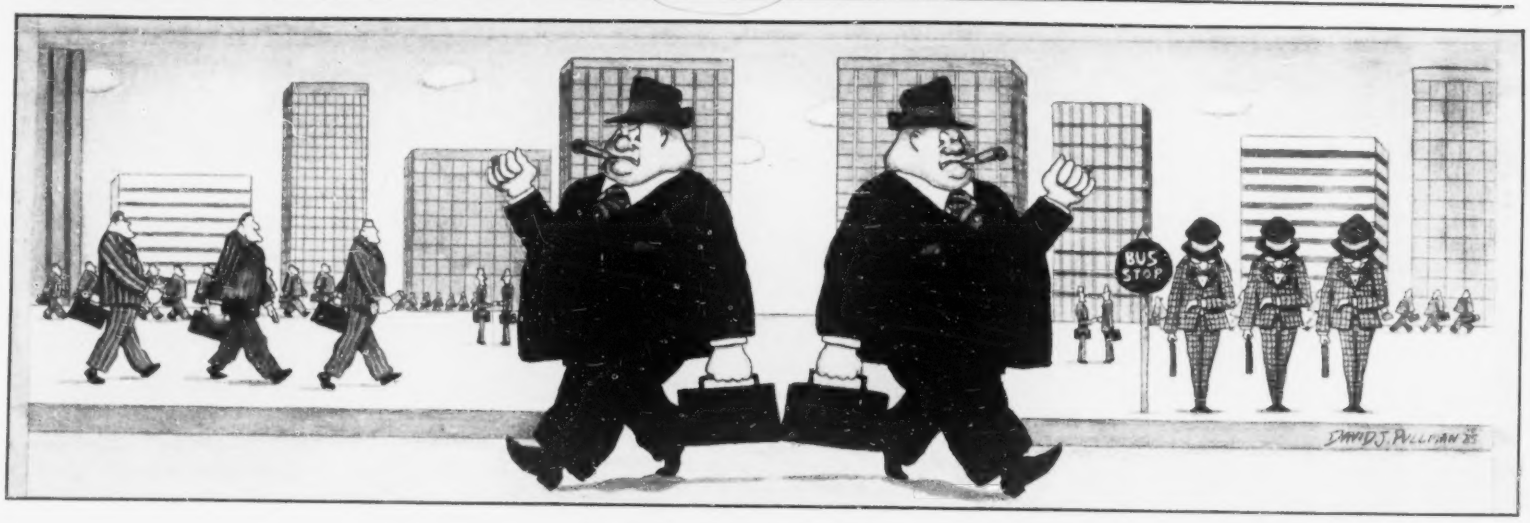


Buying groups at the crossroads

Big changes at retail force some in new directions

By Michael Garry, sr. assoc. ed.

A new chapter is being written in the history of buying groups serving electronics and appliance dealers. But in fact, it's really an old story that's unfolded before in other retail fields.

Possible results could include the formation of new groups in response to a clamoring by smaller retailers who can't gain entry to existing organizations. Also in the offing are reorganizations of some groups, splintering of others. There already has been one case of the latter via the NATM Group IV breakup.

The catalyst for all this—and here's where history comes into play—is the recent growth of specialty chains. No longer content with doing business within their local bounds, "power retailers" (a new industry buzz phrase) have been invading other states. In some cases, expansion has been far-flung (such as the recent move by Highland Appliance, headquartered in Michigan, into the Dallas market).

This expansion has fueled two forms of unrest:

1. Smaller dealers who never had to worry about the "big boys"—and perhaps never saw the need for buying group support—now have the worry and see the need. But because of competitive restrictions, gaining entry to an existing group is no snap.

2. More specialty chains are doing business in the backyard of competitors that happen to belong to the same buying group. In some cases, rules governing territorial restrictions have been stretched to or even beyond the limit. Declarations of "we can coexist," made by co-members now butting heads for the first time as competitors, have not held water.

Although the focus for the moment is on bigger operations, there is every reason to see medium-size dealers invade adjacent territories. Such expansion obviously could bring about further conflict-of-interest situations, this time within groups catering to smaller retailers.

Meanwhile, dealers who do belong to groups—in view of competitive developments—are especially happy about their membership. Many retailers contacted by *Merchandising* admitted depending a great deal on buying leverage and other services made available.

Indeed, services sometimes play as great a role as pricing, if not greater, in helping these dealers survive. A broad collection of benefits such as financial deals, information on current pricing, rebates and insurance discounts, could make the difference on a member's balance sheet. This has become particularly true with the recent competitive explosion, making profits even harder to achieve.

Too close for comfort

One problem facing buying groups today is that, especially in light of their growth in recent years, members of the same group are finding themselves in the same trading area.

Retailers in this situation strongly object to it, since the proximity works against some of the advantages of group membership, such as sharing ideas. And since members of the same group receive similar merchandise at similar prices, when they compete against each other they nullify the group's price advantage.

"The biggest complaint I have against my group, Associated Volume Buyers (AVB), is that eight to 10 of its members are in my city," said Roy Edwards, president, The Warehouse, a one-store operation in Phoenix. "But AVB feels the more members the better, so they overlook this problem."

Sam McCall, owner of Saben Appliance, Dothan, AL, said that other members of his chapter of Nationwide haven't yet entered the market areas for any of his eight stores. But he is afraid it might happen soon. If so, he won't be able to enjoy the dialogue he had previously.

Other dealers are resigned to sharing the same marketplace with fellow group members, as well as competitors from other groups.

A member of Key, Al Greco, owner of Apsco Appliance and TV Centers, Largo, FL, said that another Key member is only one block from his store in Clearwater. The same lines are available to both stores. "We have to accept that you can't have your own market anymore," he said. "It's part of business today."

Sy Goldan, United Appliance Dealers Corp. president, said that a modest amount of member overlap was inevitable. But he rejected the notion that competition among his members is fierce. "We don't have any piranhas in our group," said Goldberg.

The best known example of intragroup competition has taken place among the members of what had been the industry's largest buying group, NATM. The rivalry is cited as one of the principal reasons that four of its biggest members left the group to form a new entity, Group IV. But what of the remaining members of NATM, who appear bent on expanding into many new marketplaces, including each other's.

Two remaining NATM members, Newmark & Lewis and Luskin's, have recently found themselves occupying the same marketplace in southern Connecticut as a result of the former's decision to buy Bernie's Appliance of Bloomfield, CT. Despite this move, Newmark & Lewis's president Dick Lewis hopes that NATM members will work more efficiently and with less conflict than before.

"It's inevitable that we will compete," Lewis said. "We'll just try to do it more comfortably. Group membership will never prevent us from plotting our own destiny."

Sometimes dissatisfaction with a buying group will cause a member to leave it and join another. While this may be commonplace and acceptable, a less legitimate practice is for one buying group to steal members from another by offering what appears to be a better deal. It is, in a word, piracy. And it is taking place today.

The executive director of one small regional group told *Merchandising* that his group was the victim of piracy last year. "One of the big groups took six of our largest members," he said. "When they were smaller, we offered them a haven. Then, when they grew, along came a big group that buys direct, and they deserted us."

How retailers cope

How do retailers themselves feel about the importance of buying groups? Most made it clear that their survival today is based on membership.

The owner of a six-store appliance/electronics chain in Texas, and a

(Continued on page 14)

Chains eye smaller markets

The latest threat to the average retailer is that large electronics chains, including past or present members of NATM, are setting their sights on practically every available market in a surge of unfettered expansionism.

"They have been fierce competitors in the big cities," explained Al Cibley, executive director of Key National, Newton Center, MA, a national buying group composed of mostly smaller retailers. "But now, the superstores are entering the secondary markets where they have never been before, places like Wisconsin, Kansas, Seattle, Buffalo. Even California had been relatively immune till now."

Can the Key group's buying power and services help its members in these outlying areas, as well as those in the ultra-competitive large cities, survive? "I think we can help, if our members are willing to support the lines that we purchase," said Cibley.

Joseph Anlauf, executive director of Associated Volume Buyers, Commerce, CA, (which consists of small-to mid-size retailers) has very strong views on this subject.

"I think the rampant expansion will have a serious effect on smaller retailers because those strong mass merchants will now be all over the U.S.," he said.

"I don't know whether NATM had any stores in Wichita but they now have four. And that's just Kansas. There should be some good mom-and-pop store there. But now they have NATM. And they're in Wisconsin, Plattsville, NY, and No-Name, ND, as well. What for?"

—MG

Retailers say size is only alternative to groups

(Continued from page 13)

member of MARTA Cooperative of America, flatly stated that "there is no way I could succeed against Highland and Federated without belonging to a group."

He added: "It gives us an opportunity to be competitive. I don't mind giving up two to four points but not 12 points. We can't live with that kind of difference."

Malcolm Ballinger is the vice president of merchandising and operations for World Radio, Council Bluffs, IA, one of the regions recently subject to chain invasion. "We are definitely affected by the expansion of TV Stereo Town in Iowa and Silo in Kansas City," he said. "If we weren't a member of Nationwide, we would have been at a tremendous disadvantage."

Other dealers said size is about the only alternative to buying group membership. "You have to have a volume of about $25 million, possibly $50 million, to survive independently. And next year that figure might be $100 million," said Saben Appliance's McCall. A member of the Nationwide buying group, his eight-store chain has an annual volume of about $10 million.

But it's not always easy to join.

One retailer from Louisville, KY, noted that while he wanted and needed to join a buying group, he couldn't gain admittance to one.

Said Charles Wilson, owner, Dixie Appliance & Color TV, a one-unit, $8 million operation, "All the groups—MARTA, Nationwide—are filled in the Louisville area. The retailer who belongs to MARTA doesn't want a neighboring dealer in the group, and Nationwide won't allow its members to be too close together." Meanwhile, forced to meet the prices of the large chains, Wilson has seen his margins slip to 22 percent.

Partly in response to this problem, some new groups are forming and some existing ones are gathering strength.

The N.N.E. group, based in Avon, MA, is one of the latter. It has decided to undergo large-scale expansion this year, moving from a regional group with 20 members to a national organization with a few hundred members in the next few years, said Bob Miller, vice president and director of marketing.

The decision to expand couldn't have come at a better time for many dealers in New England facing the invasion of numerous chains, including Audio/Video Affiliates and Circuit City. "A local guy in Framingham, MA, said to me, 'Let's talk now, I think I'm serious about joining,'" Miller noted. "He just can't afford to buy at the same price as the chains."

Potent services and benefits

What makes the buying group such a potent tool for retailers is primarily the cost discount, which can improve margins by 10 to 15 percent. But just as important as that, sometimes more so, are the myriad services and benefits offered by the groups.

As one buying group executive pointed out, a group may save a retailer $50,000 on the purchase of some color TV's over the course of a year, but an ad passed onto the retailer by a fellow member could generate an additional $700,000 in business.

What are some of these services and benefits that can make such a difference? Perhaps the most important is the swapping of merchandising insights among members of the group.

Sam McCall, who operates out of Alabama, said he values what his contemporaries in Texas have to say. "Some of them carry their own service departments and some don't," he said. "This helps me see if I want to install one in my own business."

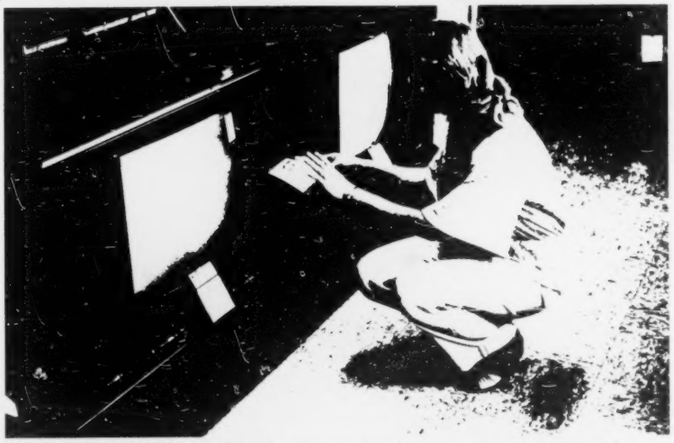
While word of mouth is frequently the vehicle by which information is shared, newsletters and computers are also employed. The list of topics grows longer every day, and includes such basic items as advertising, pricing, terms and credit.

Product dumps are among the things Larry Blumenthal, owner of B&B Appliances, Cleveland, OH, likes to find out about through the buying group grapevine. "If I pay a certain price here, I like to know what dealers in New York are paying," he said. "But I can't read every newspaper to see what products are being advertised for, so I need a source of information to tip me off about what's happening."

Marty Jacobs, vice president of purchasing for the Federated Group, Los Angeles (a member of Nationwide), said that seminars on such topics as merchandising, financing and insurance help make his business better. He also sits on panels that visit manufacturers to review new products.

Another Nationwide member, Ballinger of World Radio, noted that the group has helped him by providing a consultant on security who recently analyzed his entire operation. An insurance consultant also reviewed all of his policies.

Cutting insurance costs was a benefit also cited by Billy Simons, still another Nationwide member. "The group has given me group rates for workmen's compensation, liability and automobile coverage," he said. "It was started two years ago, and since then my insurance costs have gone down 40 percent."



COST DISCOUNTS from buying groups can improve margins 10 to 15 points. But retailers say the services and benefits that a group offers can be just as important to the bottom line.

Getting a quick inventory fix is yet another benefit groups can offer retailers. Usually this is done through the warehouse set up by the group for such emergencies.

Only the strong survive

Despite the advantages that buying groups do offer, membership is not for everyone. Some retailers are large enough to make it on their own. Others prefer to concentrate on product lines with limited distribution rather than accept the homogenous lines purchased by groups. Still others prefer to focus on higher-end products or to distinguish themselves through superior sales service.

But for the lion's share of dealers, survival in the Eighties may depend on group membership. From there, it's going to depend on the buying groups themselves to sharpen and modernize their services to provide their members with the best pricing, the latest information and the most effective merchandising tools.

Competition will continue, both among the retailers and among the groups. And in the end, as ususal, it's the strongest who will grow and prosper. ●

SIZING UP THE GROUPS

Name	Number of Members	Approximate Number of Stores	Estimated Store Volume
NATM Buying Corp New York, NY	9	150	$1 Billion
Nationwide Appliance & Television Associates Pittsburgh, PA	40	500	$2 Billion
Group IV	4	300	$1.5 Billion
Key National Corp Newton Center, MA	750	860	$1 Billion
United Appliance Dealers Corp Scotch Plains, NJ	298	400	$1 Billion
American Video Association Mesa, AZ	1,800	3,000	$1 Billion
Post Merchandisers Chicago, IL	713	1,200	$750 Million
Associated Volume Buyers Commerce, CA	331	600	$700 Million
Progressive Retailers Organization Encino, CA	13	140	$500 Million
Volume Independent Purchasers Tarzana, CA	125	250	$300 Million
SCDC Fullerton, CA	106	150	$200 Million
United National Electronics & Appliances Inc. East Brunswick, NJ	63	80	N/A
United Buying Group Carlisle, PA	16	16	$3 Million

Microwave shipments see 19% surge in '85

By Nancy Markov, field editor

BENTON HARBOR, MI—What's hot in major appliances? In a year when shipments of most appliance categories are flat or down slightly, against a super 1984, microwaves again take star billing. The big surge in ovens is expected to result in a shipment increase of about 19 percent over 1984 to 10.9 million units.

In product categories other than microwaves, where shipments are sluggish, the excitement is coming from feature introductions within each area—electronic controls, solid elements, European styling, etc.

"It's been a strange year because it started so slowly," reported Hank Bowman, vice president of Whirlpool sales. "Virtually all products through the first three months were very soft compared with 1984. But then we started to see laundry pick up substantially around early May. The same was true for other product categories."

Looking towards 1986, whether total appliance shipments realize an increase depends on the room air and microwave markets. But even with these two categories included, the industry could be flat or down two to three percent.

Why? Because room air conditioner shipments are expected to decline in 1986 due to large inventory carryover from this year's poor selling season. Microwaves, too, will start to see a depression of volume until a strong replacement business develops.

Microwaves are hot

Microwave ovens remain the largest single product category in the industry in terms of unit volume. Saturation at the end of this year should be about 50 percent or slightly higher.

Shipments of microwave oven/ranges this year are expected to reach the 10.9 million mark, a 19 percent gain. This is despite the fact that there was some inventory carryover from Christmas 1984 into the first quarter.

In fact, the market was soft until mid-May as sales at the retail level were sluggish. And because some manufacturer inventories were high even at the end of July, closeouts have been reported. Said one supplier, "I've heard some wild stories about inventory in the field." Noted another, "There could be too much unreported inventory out there."

The inventory situation was compounded by the entrance of new players. Electronics and housewares manufacturers both have made their entrance into the microwave arena. The result is more unneeded pressure on an already competitive pricing situation.

As in 1984, the growth of the market has been in the compact and subcompact categories. And now 0.4-cu.-ft. models are on dealer shelves, as well, from suppliers including Sampo, Sharp, Sanyo and Tappan.

Small ovens are a hit because of the attractive price points, often dipping below the $100 mark; the large number of one- and two-person households, and the space restrictions in many homes, particularly in urban areas.

Noted a spokesman from the White Consolidated Industries Appliance Group, "Because microwave prices have been trending downward due to the introduction of smaller ovens, microwaves are available to those people who couldn't previously afford an oven—the lower income groups, singles, college students."

There is also a secondary market purchasing compact and subcompact ovens. These are the people who want an oven to take to the summer house, the den, the college dormitory room, etc.

Because the subcompact and compact segments are the least saturated part of the market, this trend is expected to continue through the coming year.

But an increasing amount of future volume, starting in 1986, is going to be dependent on the replacement market, an area which really hasn't yet developed.

Current estimates for the replacement market vary from seven to 10 percent. According to Jim Fremont, director of marketing, Litton, 1985 is the absolute peak or even a bit on the down side on the bell curve of first oven purchases. The replacement curve should parallel that increase 10 years later.

"Market shipments could remain up around the 10 million mark annually if the replacement market were coming up more quickly," he said, "but it's not. So while we may see a slight increase in total units in 1986, the market will have to adjust itself to nine million or even 8.5 million units by 1987 or 1988—still a significant market. But there will be fewer first time purchasers every year."

That secondary market where ovens are being purchased specifically for the summer home, den, RV or college dorm room is currently strong, but it's limited.

Fremont estimated it at about five percent of the industry. "We may also see some of these needs being satisfied through the rental, not retail channels," said Kevin Furlong, national marketing manager, Toshiba. "The

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Figures Courtesy of the Association of Home Appliance Manufacturers (AHAM).

*Figures obtained from a consensus survey of members of the Gas Appliance Manufacturers Association (GAMA) in late 1984.

INVESTMENTS in new designs, factories and people keep GE competitive, says Roger Schipke, senior vice president and group executive, Major Appliance Business Group.

GE's Schipke looks at foreign threat in major appliances

By Nancy Markov, field editor

LOUISVILLE, KY—Major appliances are big business in this country, representing a prime target for the foreign competitors who have edged into the market slowly over the past few years.

It's no surprise then that domestic manufacturers are taking a long hard look at how to maintain their share. And the task gets harder since current market projections call for minimal gains in 1985 shipments and

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Leveling off due for microwave ovens in 1986

(Continued from page 33)

secondary market won't provide a lot of additional sales for a long period of time," he added.

Wally Fraser, general manager, appliance division, Quasar, pointed out that this segment will have a much lower saturation than the total industry—"around 15 percent. And it will be reached quickly—in the next one to 1½ years."

Consequently, even with a strong Christmas selling season, a leveling is expected to occur in early 1986 and some supplier attrition is possible later next year. Whether there are large quantities of closeouts will depend on manufacturer inventory levels going into the first quarter of 1986.

Right now, projections for 1986 shipments of microwaves vary. Some suppliers believe that if there is an increase it will be less than five percent. Members of AHAM have projected that shipments will fall to around the 10.3 million mark. Another estimate is that the industry will dip to under 10 millon units.

In any case, said Bowman, it will be difficult for the industry to sustain the growth of the past two years. The segmentation of product, expanded price points to the lower end of the spectrum and the number of new consumers in the marketplace happened rapidly. "The industry will be dependent on replacement and add-on business. It could be a real problem. Globally there is plenty of capacity to support the U.S. and others. But it will be a very competitive situation in this country. There's a lot of inventory out there."

THE RAPID RISE in microwave shipments over the past two years will be hard to sustain in 1986, vendors say. Reasons cited for past growth include market segmentation and lower price points.

Other categories sluggish

With the exception of home laundry, which is expected to show shipment gains of about 2.2 percent for 1985, other major appliance categories were flat or down a bit. And 1986 is expected to be almost a repeat of 1985, noted Robert Reid, general manager, home laundry/dishwasher products management, General Electric.

"We don't look for a huge increase in dishwashers going into next year," said Reid. "The category is tied to interest and mortgage rates and the general economy. New housing starts and the remodeling market play a big part in dishwasher sales." Housing starts in 1986 are expected to remain at the 1985 level of 1.7 million.

He added, "Replacement sales play a bigger and bigger role in dishwashers. The bonanza years were from 1970 through 1973. These units are now being replaced."

For this market, the firm will be showing some new dishwashers at January's NAHB Show. "We are upgrading the performance of our dishwashers again," said Reid—"the washing performance and reduced sound levels. There will be highly featured models that offer the features that the replacement buyer is looking for."

The refrigerator industry, too, will have shipments roughly the same as in 1985 or even down one to two percent in 1986, reported John Higgins, general manager, refrigeration products management, General Electric.

Said a spokesman for the WCI Appliance Group, "From an industry standpoint, refrigeration is not doing too shabbily. The market is holding up. Going back 15 years, there was an upward swing in refrigerator sales. These units are now being replaced."

"There is a strong replacement cycle for refrigerators," agreed Jim Krueger, vice president of marketing, Admiral. "And when customers go out to buy, they are stepping up to better goods. We have the products for them—the A la Mode, the Entertainer, the UltraFreeze, etc. We're getting a lot of high-end sales and our business is good."

The firm's Continental Kitchen concept is also expected to add some excitement to the major appliance industry. Official introduction is slated for a special group of distributors later this month.

Compacts continue growth

Another growth area for Admiral is compact refrigeration. "Sales of units 11 cu. ft. and smaller are quite strong," said Krueger. "Since our acquisition of Warwick, we've made some real inroads in this marketplace. It will be a big segment of business for us."

Compact refrigeration now accounts for about 800,000 to 850,000 units a year, said GE's Higgins. "The current trend will stabilize at around 10 percent of the industry. It is a niche opportunity that will be stable in the future. It's an opportunity for us to make a major contribution in this area since we have the brand name and easy service."

Another category—freezers—is stable, having witnessed its last big surge during the 1973-1974 oil crisis, said Higgins. Shipments are expected to remain at the 1.1 to 1.2 million level, with a mix of about 50 percent chest, 50 percent upright units. "The consumer needs a reason to buy and store in anticipation of price increases. Since the economy is currently stable, so is the industry," he said.

A spokesman from the WCI Appliance Group agreed. But he believes that this market can change over the next few years as the number of microwaveable foods in the marketplace grows. "As people get used to these products, they will find they need more and better arranged freezer space. The changing patterns of what people eat also affects what they use to store foods. There is a potential for more freezer sales. At last some innovation is coming up on the horizon for this category. But this will happen closer to the end of the decade," he cautioned.

"Since the appliance categories are not showing substantial growth," said Reid, "we have to compete within the lines with products that will appeal to consumers." One area is electronic controls.

Said Bowman, "In general, we see electronics getting stronger. There is the translation of electronic controls from other electronic products. People are comfortable with electronic products in their homes, so the acceptance of these features on major appliances is definitely a trend for the future."

He continued, "Electronic controls will be found on all kitchen products and on more than the top-of-the-line models. We will see a transfer of electronics to the middle of the line and they will be functional in the operation of the appliances."

"This will be evident in 1986 and speed up in 1987 and 1988," said Bowman. "Electronics are just now coming into vogue and being added to the entirety of the major appliance family. For example, they are now on ranges as a legitimate control device."

"Costs are coming down for electronics," he added. "The industry will do more volume as the feature moves down into the line and becomes more cost competitive and cost effective. In the Whirlpool line, electronics can now be found on microwave ovens and on top-of-the-line ranges, refrigerators, dishwashers and laundry equipment."

"Electronic controls are very important from the standpoint of being a hot innovation, not a hot seller," said a spokesman from the WCI Appliance Group. "The dealer can sell off them on the sales floor. Electronically controlled units get the consumer's attention and offer the dealer the chance to explain other top-of-the-line features. So they can step up by selling down; use these units as a merchandising tool. If the consumer doesn't want the top-of-the-line model, the salesman will probably still sell closer to the top model than if he had opened with the mid-priced unit."

He continued, "Electronics are in the future. I can't say how fast the consumer will accept them and when prices will come down to affordable levels. But when it happens it will happen fast.

"More product categories will be converted over. The controls will be more than just readouts; they will control functions. At WCI we're being cautious. We want to be sure they're right and that they offer benefits that are practical."

Electronics edge up

GE added electronics on its top-of-the-line side-by-side refrigerator in 1984, said Higgins. In 1985, the firm introduced its Refreshment Center model which also featured electronics. "Both units have done very well. They are selling better than the forecasts and the estimates were rather aggressive," he stated.

The feature will tend to stay at the high end of the side-by-side offerings, Higgins reported, although there may be some introductions of electronics on some top-mount no-frost models next year.

"These units are still relatively expensive to manufacture," he explained. "The benefit value isn't where it should be. It's still high end, high cost. It will be 10 years or longer before electronics are pervasive throughout the industry. But the replacement of electromechanical components will mean high reliability."

Admiral has an electronic monitor on its 24-cu.-ft. side-by-side refrigerator. The unit is doing very well, but it is not a volume piece, said Krueger.

"Electronics are a value when they make life easier for the user or provide extra functions," he noted. "The control on our refrigerator monitors the temperature range for both the freezer and refrigerator sections, gives the consumer an update on temperature and if there is a trend of it being up or down for either section. It also lets the consumer know if the door is ajar, if there is a power failure, etc."

Krueger does not see electronics filtering down to other refrigerator models in Admiral's line next year. "Costs are still associated with electronics and it's a competitive industry out there." However, he did say that there could be electronic controls on the firm's top-of-the-line laundry model within a year.

"In 1986, we will see more model proliferation of electronic dishwashers than ever before," said GE's Reid. The firm now has two. The controls sense water temperature and heat the water if necessary, maintain water temperature, control the entry display system and alert the user to malfunctions. Sensors in the machine let the consumer know if the wash arm is blocked. Or, if detergent is not added, the machine won't start.

General Electric has no plans for electronic controls on its laundry products for 1985 and 1986, said Reid. "We're watching the area carefully but it is a trend driven not by consumer demand, but rather by the appliance producers. Since laundry products are closed off behind doors in many homes, aesthetics are not as important as on other appliances."

Over time, however, Reid predicted that there will be sensors in laundry products that tell the consumer whether the rinse is adequate, if the

(Continued on page 41)

Great future foreseen for stacked laundry units

(Continued from page 38)

right amount of detergent is being used, if the clothes have spun enough. "Electronics will be more than just a pretty entry display. There is not enough evidence now that the consumer would pay just for that."

What will be the firm's forte in the laundry category in 1986 will be the Spotscrubber units. "We are pleased with 1985 sales of the two models. The consumer feedback has been very positive. The goal set for 1985 sales of the product, which was first shipped in mid-May, was surpassed around September. A third unit was added to retail floors last month. The feature is one that appeals to buyers of large-capacity washers and machines mid-line and up." Prices ranged at retail from around $399 to $550.

Space-savers stack up

Stacked laundry pairs are also being emphasized in the industry. Said Reid, "The stacked configuration is important in the 24-in. business. The question is, should the units be 24 in. or full size? Which is the right area to be in? The compact size serves us right now, but we are studying that question."

Said a WCI spokesman, "We are doing good volume on the White-Westinghouse Space-Mates and the Laundry Center from Frigidaire. New construction projects specifically require space-saving pairs."

Speed Queen's new Contempo Mate addressed the multi-housing dweller in need of compact, stackable, portable laundry equipment. Pointed out David Kretz, vice president of home laundry sales, the units are being targeted at the excess of 20 million households (out of approximately 85 million) that are multi-housing situations.

The firm also offers a full-size stacked pair in the Ultra-Mate and the lower-priced Ultra-Mate II.

Maytag has a full-sized stacked pair, noted Ralph Nunn, vice president of marketing. Pleased with sales to date of the units, which are now in national distribution, the firm sees a great future for this type of product. The model features electronic controls which allow one control panel to run both the washer and dryer.

The European styling trend is still prevalent in the industry but it's not taking off in big numbers, said suppliers.

There is an evolution of continued improvement in product aesthetics, said Bowman. "The look is more like kitchen furniture. We see the product looking more high-tech. There are more built-in integrated looks with the applicances and cabinets blending together."

Solid elements for ranges are growing slowly in popularity. Whirlpool offers them only in a modular form at the present time, said Bowman.

Maytag does not offer solid elements on a freestanding range either. Said Nunn, "We're looking at it but have made no definite plans. It's a good feature for certain people. It's different, innovative. Some people will buy them because they are different but the feature won't take over the industry."

Solid elements can be found on the Frigidaire Euroflair cooktop as well as on a 30-in. freestanding range. The range, particularly, said a WCI spokesman, is doing extremely well.

He noted, "In Europe it's hard to find an electric range that doesn't have solid elements. In Australia, where they were introduced in 1970, they now account for about 60 percent of the market. After four years in Canada, they represent about 12 to 15 percent of sales. If we had to come up with a sales level in a few years for this country, solid elements will probably be found on 15 percent of the new ranges sold. It may be a new concept in the U.S., but it's a well-proven one."

TWENTY MILLION HOUSEHOLDS in multi-dwelling buildings are potential buyers of compact, stackable laundry equipment.

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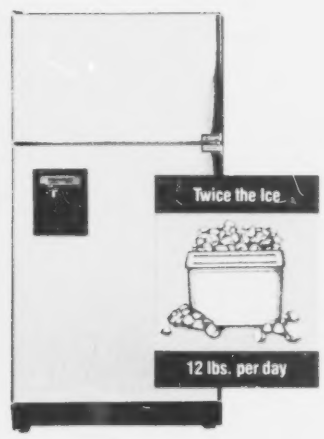

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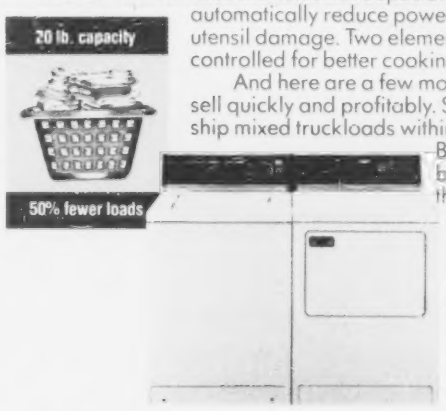

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Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

TITLE	Last month's position	Months on chart
1. **The Breakfast Club** *(MCA)*	—	1
2. **The Killing Fields** *(Warner)*	3	2
3. **Amadeus** *(Thorn EMI/HBO)*	—	1
4. **Missing In Action II** *(MGM/UA)*	—	1
5. **The Karate Kid** *(RCA/Columbia)*	1	5
6. **Desperately Seeking Susan** *(Thorn EMI/HBO)*	4	2
7. **The Sure Thing** *(Embassy)*	15	2
8. **A Soldier's Story** *(RCA/Columbia)*	5	4
9. **Porky's Revenge** *(CBS/Fox)*	—	1
10. **Police Academy II** *(Warner)*	—	1
11. **Falcon and the Snowman** *(Vestron)*	2	4
12. **A Passage to India** *(RCA/Columbia)*	22	2
13. **Nightmare on Elm Street** *(Media)*	8	4
14. **Starman** *(RCA/Columbia)*	6	4
15. **Turk 182** *(CBS/Fox)*	—	1
16. **The Terminator** *(Thorn EMI/HBO)*	9	6
17. **Mrs. Soffel** *(MGM/UA)*	20	2
18. **The Mean Season** *(Thorn EMI)*	13	3
19. **The Flamingo Kid** *(Vestron)*	7	4
20. **Slugger's Wife** *(RCA/Columbia)*	—	1
21. **Company of Wolves** *(Vestron)*	—	1
22. **Friday the 13th Part 5** *(Paramount)*	—	1
23. **Stick** *(MCA)*	11	2
24. **Purple Rose of Cairo** *(Vestron)*	—	1
25. **Places in the Heart** *(CBS/Fox)*	16	5
26. **Mischief** *(CBS/Fox)*	23	2
27. **The River** *(MCA)*	24	5
28. **Missing In Action** *(MGM/UA)*	19	5
29. **Wrestlemania** *(Coliseum)*	—	1
30. **Into the Night** *(MCA)*	17	3

Top 10 in videocassette sales

1. **Jane Fonda's Workout** *(Karl-Lorimar)*	1	40
2. **Jane Fonda's Prime Time** *(Karl-Lorimar)*	2	11
3. **Pinocchio** *(Walt Disney)*	3	3
4. **Jane Fonda's Workout Challenge** *(Karl-Lorimar)*	—	3
5. **We Are the World** *(MusicVision)*	6	4
6. **Prince Live** *(Warner)*	5	3
7. **Do It Debbie's Way** *(Video Associates)*	—	4
8. **Star Trek III: The Search for Spock** *(Paramount)*	10	8
9. **Beverly Hills Cop** *(Paramount)*	—	1
10. **Huey Lewis and the Heart of Rock & Roll** *(Warner)*	—	1

Top 5 in laserdisc sales

1. **The Killing Fields** *(Warner)*	—	1
2. **2010** *(MGM/UA)*	—	2
3. **A Soldier's Story** *(RCA/Columbia)*	—	1
4. **Giant** *(Warner)*	—	1
5. **The River** *(MCA)*	—	1

Top 5 in alternative programs

1. **Jane Fonda's Workout** *(Karl-Lorimar)*	1	13
2. **Jane Fonda's Prime Time** *(Karl-Lorimar)*	2	11
3. **Jane Fonda's Workout Challenge** *(Karl-Lorimar)*	—	1
4. **Do It Debbie's Way** *(Video Associates)*	5	7
5. **Prince Live** *(Warner)*	3	3

KARTES

THE BATTLESHIP POTEMKIN (1925) Considered by many to be one of the greatest films ever made, Sergei Eisenstein's gripping drama depicts the mutiny on the Potemkin as a symbol of the Russian revolution. One of the first films to feature the montage technique, which Eisenstein pioneered. *B/W 66 minutes VHS Beta C: $19.95.*

KEY VIDEO

UNDER MILK WOOD (1973) Directed by Andrew Sinclair, this production of Dylan Thomas' play stars Richard Burton, Elizabeth Taylor and Peter O'Toole. Burton is the "First Voice" who takes the viewer on a tour of the mythical Welsh town, Llareggub. O'Toole is an aging, blind sea captain who knows the town by its sounds, and yearns for the love of his younger days, Rosie Probert (Taylor). *Color 90 minutes PG VHS hifi Beta hifi C: 59.98.*

KULTUR

THE LIFE OF VERDI (1984) The RAI Italian televison network produced this miniseries which covers the life of Guiseppe Verdi. The sound track includes such opera stars as Renata Tebaldi, Maria Callas, Luciano Pavarotti and Birgit Nilsson. This full-length, uncut, English version comes in a leather-like bound case, on four cassettes, with a 22-page color synopsis booklet. *Color 10 hrs. VHS stereo Beta stereo C: $249.95.*

MCA

SABOTEUR (1942) Alfred Hitchcock's classic stars Robert Cummings as the hero who is unjustly blamed for sabotaging an American munitions factory in Los Angeles during World War II. His pursuit of the real saboteur takes him across the country on a nerve-splitting chase that finally ends in a thrilling climax atop the Statue of Liberty. Also starring Priscilla Lane and Otto Kruger. *B/W 108 min. VHS hifi Dolby B mono Beta hifi mono C: $59.95.*

MGM/UA

MOTOWN 25: YESTERDAY, TODAY, FOREVER (1983) The video version of the star-studded musical spectacular has about 30 minutes of footage never seen before and not available anywhere else. Highlights include Michael Jackson performing his hit single Billie Jean, the reunion of The Jackson Five; Marvin Gaye singing What's Going On, a duet between Linda Ronstadt and Smokey Robinson; a "duel" between The Four Tops and The Temptations singing a medley of their hits, and what is probably the last time anyone will see The Supremes perform together. Other legendary Motown stars include Stevie Wonder and Gladys Knight. *Color 150 minutes VHS videophonic sound Beta hifi C: $29.95.*

PARAMOUNT

RUSTLERS' RHAPSODY (1985) Director and writer Hugh Wilson (*Police Academy*) bushwhacks the wild west in this spoof of 1940's B-movie westerns. Tom Berenger stars as singing cowboy star Rex O'Herlihan. He and his dancing horse Wildflower battle the baddies. Featuring Marilu Henner and Andy Griffith. *Color PG 89 minutes VHS stereo Beta stereo C: $79.95 LV: $29.95.*

PLAYHOUSE

MIRACLE ON 34TH STREET (1947) A perennial holiday favorite, this film tells the story of a Macy's department store Santa (Edmund Gwenn) who swears his name is Kris Kringle. Six-year-old Susan (Natalie Wood) believes in him, her mother (Maureen O'Hara) doesn't, and Kringle creates such a furor that a trial is held at which everyone must answer the question—do they believe in Santa Claus? *B/W 97 minutes VHS hifi Beta hifi Closed captioned C: $29.98.*

WARNER

LOST IN AMERICA (1985) This Yuppie update of *Easy Rider* follows a successful and responsible married couple as they attempt to find their true selves on the open road in an expensive camper. Can jobless executives find happiness haplessly wandering to a rock and roll soundtrack? The answer lies somewhere in Arizona. Starring comedian Albert Brooks (Real Life, Saturday Night Live short films) and Julie Hagerty (Airplane!, Midsummer Night's Sex Comedy). Directed and co-written by Brooks. *Color 91 minutes R VHS Beta C: $79.95.*

C4200-1

A GRALLA PUBLICATION

Merchandising

DECEMBER 1985

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

ELECTRONICS

Montgomery Ward ready to strike in assault on electronics market

By Regina Eisman, assistant editor

ANNAPOLIS, MD—Montgomery Ward is getting serious about selling consumer electronics.

Names like Zenith, Magnavox, GE and Quasar now can be found mixed in among the traditional Montgomery Ward brand products. And the selection has been expanded, with everything from projection TV's to calculators represented.

Customers now find in-store demonstrations, well-trained sales clerks and product service. And an aggressive ad campaign reminds them that "Things are changing at Montgomery Ward."

It's all part of the chain's new focus that has included redesigning some of its units around the "store within a store" concept now being tested in a number of prototypes.

"There's no question that we've gotten more like a specialty store," said Victor Sholis, national merchandise manager for electronics, who was interviewed at the chain's Chicago headquarters.

"Our strategy is to carry a broad assortment of exciting, leading national brands, along with a powerful assortment of private label goods," he said. "We also have strong advertising, competitive pricing and an exciting environment—it's a long step ahead of where we were a few years ago."

All of these changes came about when Montgomery Ward research showed that consumers spend more of their time and money in specialty stores. The company began to open test stores, redesigned versions of some of the most successful

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THINGS ARE CHANGING AT MONTGOMERY WARD
SAVE $120 TO $200
ON VIDEOCASSETTE RECORDERS
NEW! G.E. CAMCORDER
A BOLD NEW PUSH in advertising lets customers know that "Things are changing at Montgomery Ward"
Things are changing at Montgomery Ward
MORE BRANDS, wider selection and in-store demos comprise some of the changes the chain is bringing to its electronics departments.

HOUSEWARES

B&D, Sunbeam battle stimulates growth across housewares biz

By Regina Eisman, assistant editor

CHICAGO—At last spring's Housewares Show, the two superpowers of the industry—Black & Decker and Sunbeam—squared off against each other in a battle for market domination. Now, just one show later, it looks like the winner is—everybody.

Most manufacturers report that the competition between the two companies actually has helped the industry as a whole. Product development has reached a level unmatched in years. Inflated advertising budgets have made consumers more aware of housewares in general. And it looks like the trend is going to continue.

Last month in Chicago, both Sunbeam and B&D talked about record-breaking fourth-quarter ad campaigns that should keep sales soaring through the holidays. And a gentleman's disagreement about which brand has the greatest recognition should keep each company revved up well into the new year.

According to Kenneth Homa, vice president of marketing for the U.S. Household Products Group, B&D is spending $20 million in the fourth

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APPLIANCES

Surprise! Soon you may have new distributors

By Nancy Markov, field editor

GRAND RAPIDS, MI—Retailers of specialty high-priced appliances may well wonder what's been going on at the independent distributor level in recent years.

Where once each distributor's lines were pretty well set, today the deck is being reshuffled with increasing frequency.

As a result, retailers may find themselves working with fewer distributors that are covering larger territories and handling more lines. They may also find themselves working with several different divisions, perhaps even distinctly different operations, all part of the same distributor.

At the same time, the retailers

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OPERATIONS

Energy audits may help you cut utility costs by 15 to 25 percent

By Nancy Lang, operations editor

ATLANTA—Pulling the plug on electricity use is hard to do when you're selling consumer electronics or appliances, but how much can you really shave off your monthly utility bill?

Some experts claim that a 15 to 25 percent cost reduction is achievable. Moveover, help may be on the way next year that could make this goal a reality.

In order to shed some new light on your electric bill, *Merchandising* interviewed utility companies, a leading utility audit firm and a vice president of a major department store chain.

The latter party, Tony Bartow of Rich's Dept. Store, recently reviewed his program at a National Retail Merchants Association conference. Last year, Rich's clobbered utility

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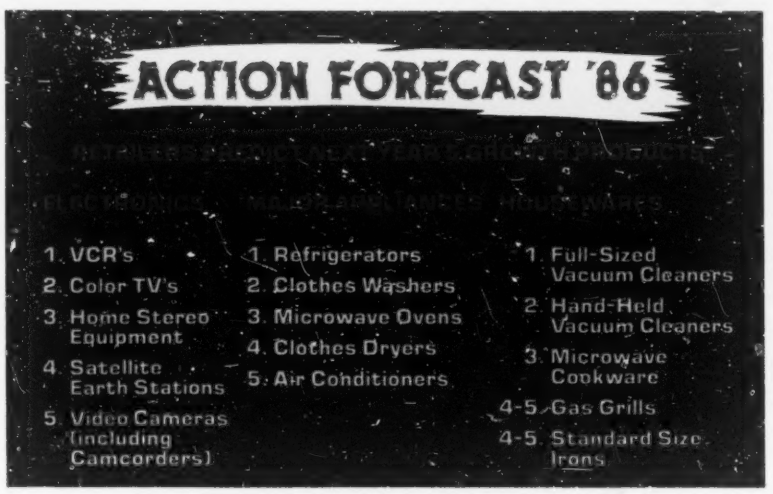

CRYSTAL BALLING '86, retailers reveal where they are pinning their hopes for sales and profits. See page 13 for details.

New in this issue:
Market Data Hotline
Facts and figures that you need, on page 9

Merchandising

FOR OVER 56,200 RETAILERS & WHOLESALERS

December 1985 / Vol. 10, No. 12 / Our 78th Year

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What's a dealer to do with used videotapes?

Selling your used videotapes to brokers can be risky: they may wind up in competitors' stores. As a result, some dealers have developed their own ways to dispose of the tapes.

29 PERSONAL ELECTRONICS

Cookbook software: It's hooking Yuppies

A slew of vendors have devised software designed to make life in the kitchen easier, especially for working professionals. And with little fanfare, some programs are selling like hotcakes.

37 MAJOR APPLIANCES

Circuit City blasts into LA with seven superstores

With the grand opening of seven superstore warehouse showrooms last month in the LA area, Circuit City is playing hardball with another local powerhouse, The Federated Group.

44 HOUSEWARES

European invasion hits fall Housewares Show

A wave of Eurostyle small appliances swept into the Housewares Show last month. Not all were from European vendors —numerous U.S. imitators contributed products.

52 STORE OPERATIONS

Debate over honesty tests questions their accuracy

Can pre-employment honesty tests help you weed out potential thieves? Despite psychologists' skepticism, the tests are being used by firms looking for some means of protection.

Find out how this dealer gets rid of used videotapes.

They may not look tasty, but these disks hold the key to culinary delights.

Circuit City plastered LA with ads in its recent attack on that market.

Mass marketers like Lechmere are now being wooed by Schawbel's Europa line and other Eurostyle small appliances.

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Executive Office: 1515 Broadway, New York, NY 10036 212/869-1300

David Nussbaum ..... publisher
Susan Matthews ... associate publisher
Lee Rath ..... associate publisher
Aaron Neretin .. editorial and marketing consultant

EDITORIAL STAFF
Editor ..... Lee Rath
Managing Editor ..... Lynne Kelly
Sr. Associate Editor . Michael Garry
Assistant Editor .... Regina Eisman
Market Data Ed ... Maureen Haefner
Field Editors ..... Brad Berton
Nancy Markov
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Production Asst. ..... Leslie Ogan
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Circulation Manager Barbara Iavaroni
Classified Manager . Nancy Berman

SALES OFFICES
Eastern Regional Office:
1515 Broadway, NY 10036
Susan Matthews (212) 869-1300
Edward Judge
Peter Kleinschmidt
Midwest Regional Office:
6160 N. Cicero Ave.,
Chicago, IL 60646
(312) 545-0700
West Coast Regional Office:
16200 Ventura Blvd., Encino, CA 91436
Phillip Wexler (818) 788-0271
Yukari Media, Inc.
Hus Building
4-21-1-602, Nakanoshima, Kita-Ku,
Osaka, Japan
06-448-5011

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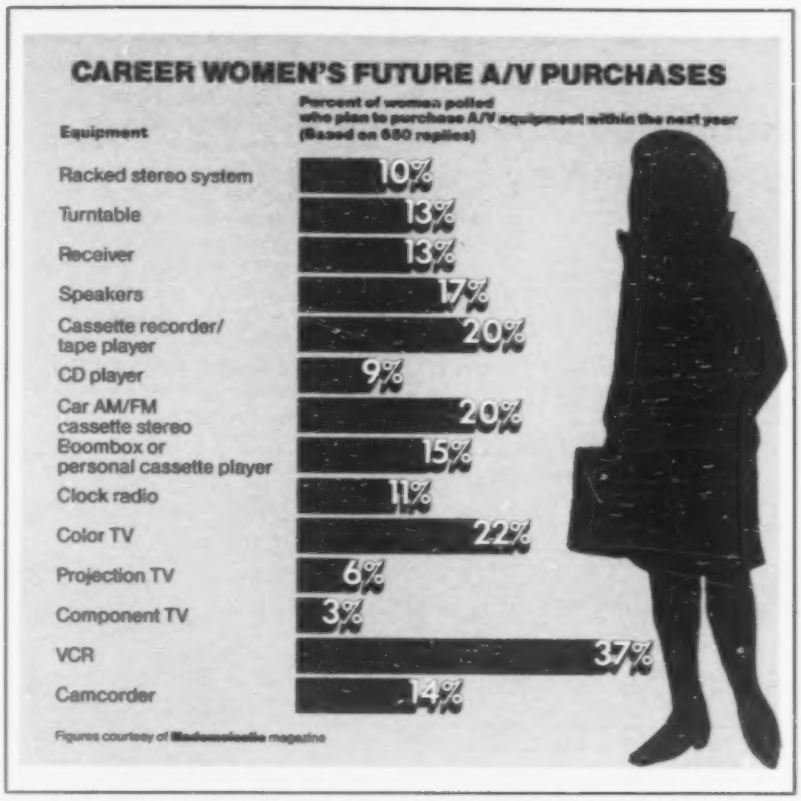
Price plays big role in women's electronics buys

NEW YORK—Electronics retailers would do well to cater to young working women. That's what the results of a recent *Mademoiselle* magazine survey imply about the purchasing power of this group.

The study polled 1,000 working women across the U.S. to determine market trends, buying habits and product usage patterns for its audience of young career women.

Of the 650 respondents, 96 percent take an active role in selecting consumer electronics items for their households. Ninety-six percent are involved in the brand/manufacturer decisions and the same percentage shop around or do some form of research before purchasing their equipment.

In addition, the survey established factors influencing these women's buying decisions. The women rated manufacturer's reputation (98 percent) and price (97 percent) as influential factors. Friends'/relatives' recommendations followed with 92 percent.


CAREER WOMEN'S FUTURE A/V PURCHASES
Percent of women polled who plan to purchase A/V equipment within the next year (Based on 650 replies)
Equipment
Racked stereo system 10%
Turntable 13%
Receiver 13%
Speakers 17%
Cassette recorder/ tape player 20%
CD player 9%
Car AM/FM cassette stereo 20%
Boombox or personal cassette player 15%
Clock radio 11%
Color TV 22%
Projection TV 6%
Component TV 3%
VCR 37%
Camcorder 14%
Figures courtesy of Mademoiselle magazine

Appearance of the equipment rated an 86, state-of-the-art technology an 83. Magazine articles came in next with a 73 percent vote, while size (such as mini-components vs. standard-size equipment) finished next with 69 percent. Advertising took 57 percent, salespeople/dealers 54 percent and store displays 20 percent.

These women shop most frequently at audio/video specialty stores (86 percent), then at appliance/radio/TV centers (73 percent), discount stores (69 percent), department stores (62 percent) and through mail order (12 percent).

MAJOR HOME APPLIANCE FACTORY SHIPMENTS
THOUSANDS OF UNITS
(Domestic Plus Export)
September 1985

	September 1985	% Change	Calendar Year to Date	% Change
All Major Appliances*	3,390.3	+ 3.9%	31,679.7	+ 5.6%
Cooking — Total	1,114.6	– 2.4	9,886.0	+ 18.7
Electric Ranges — Total	278.6	+ 2.7	2,305.5	– 0.3
Free Standing	230.2	+ 1.4	1,880.8	+ 0.4
Built-In	48.4	+ 9.5	424.7	– 4.0
Microwave Ovens/Ranges	852.5	– 3.9	7,731.4	+ 25.1
Home Laundry — Total	835.8	+ 10.5	6,796.0	+ 3.6
Automatic Washers	476.2	+ 9.5	3,956.3	+ 2.6
Dryers — Total	359.6	+ 11.8	2,839.7	+ 4.8
Electric	282.2	+ 11.2	2,244.9	+ 3.9
Gas	77.4	+ 13.8	594.8	+ 8.5
Kitchen Cleanup — Total	716.4	+ 3.1	5,860.8	+ 0.7
Disposers	387.0	+ 5.8	3,103.2	+ 1.8
Diswashers — Total	313.2	+ 0.1	2,626.9	– 0.6
Built-In	295.4	+ 0.5	2,452.1	– 0.6
Portable	17.9	– 4.3	174.7	+ 0.2
Compactors	16.1	+ 0.6	130.8	– 1.8
Food Preservation — Total	666.8	+ 6.6	5,684.1	– 2.2
Refrigerators	559.1	+ 7.5	4,689.5	– 1.6
Freezers — Total	107.7	+ 2.0	994.6	– 4.7
Chest	52.2	+ 6.5	510.1	– 5.5
Upright	55.5	– 1.9	484.4	– 3.9
Home Comfort — Total	56.7	+ 26.6	3,452.8	– 0.6
Room Air Conditioners	48.9	+ 21.6	2,881.9	– 0.7
Dehumidifiers	7.8	+ 73.3	570.9	– 0.1

*Numbers do not add because of overlapping product categories.
Figures courtesy of AHAM.

Record 39.4 million in majaps shipments is in sight for '85

CHICAGO—Record first-, second- and third-quarter major appliance shipments bring the industry within reach of a new annual record, according to Robert Holding, president of the Association of Home Appliance Manufacturers (AHAM).

Nearly 3.4 million major appliances were shipped in September and 9.9 million in the third quarter, establishing new shipment records for both periods.

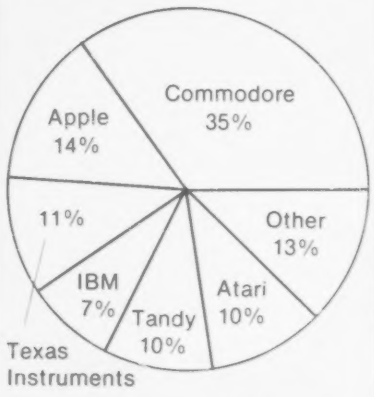
Shipments rose 3.9 percent in September and 2.3 percent in the third quarter, compared to the same 1984 periods.

Fourth-quarter shipments of 7.8 million units is all that's required to break the 1984 annual record of 39.4 million units.

Three product categories registered notable increases in September: home laundry jumped 10.5 percent; food preservation, 6.6 percent, and kitchen cleanup, 3.1 percent.

Home computer penetration hits 10%

Home computer penetration by brand



Figures courtesy of LINK Resources

NEW YORK—Household penetration of home computers rose by three percentage points to the 10 percent level this year.

According to LINK Resources, a New York-based research and consulting firm, penetration is greatest in New England, were PC's can be found in 12.8 percent of the homes. The Pacific region checks in with 11 percent, the East North Central region at 10.8 percent and remaining areas at below the U.S. average of 9.8 percent.

A brand popularity poll showed Commodore leading the pack with 35 percent. Apple follows with 14 percent. Texas Instruments, which withdrew from the home PC market in 1983, fell from about 25 percent last year to 11 percent. IBM rose to seven percent, Atari remains at 10 percent, and Tandy's share fell from 13 percent to 10 percent.

In other findings, the survey showed that: 10 percent of PC owners planned to purchase a new machine in 1985; 40 percent of owners use their computers every day, with sessions averaging about two hours, and new buyers spent an average of $808, or 20 percent more than the previous year.

Also, of those families with a home computer, some 13 percent own more than one.

What's the cause for the growth in dual ownership? Some reasons given include the use of the machines by more than one family member, as well as advances in computer technology that lead to consumers buying a new model to replace one that they might have outgrown since it was purchased.

Oct. VCR sales top 1 million units, says the EIA/CEG

WASHINGTON, DC—October was a "solid" month, according to the Electronic Industries Association's Consumer Electronics Group. VCR sales topped one million units, a 44.7 percent gain from October of last year.

A total of 1,041,929 VCR's were shipped in October. This brings the January to October tally this year to 8,558,981—an increase of 55.1 percent from the same period last year.

Projection TV's also did very well, jumping 32.6 percent to a total of about 26,000 units shipped during October 1985. Sales of projection systems are almost 29 percent ahead of the same period last year.

October saw some 1.89 million televisions shipped, a 1.2 percent gain over last October, but an overall decline of 3.4 percent for the same period last year.

About 1.56 color units were shipped in October, bringing the total for the year to 13.7 million units, a 3.8 percent increase over the same period last year.

Shipments of monochrome units plummeted 33.5 percent this October vs. last year, with only 330,872 units shipped. Overall, the category has slipped 27.3 percent this year, vs. the same period last year.

Video camera sales declined in October by 38 percent. Not including camcorders, year-to-date sales are running 11 percent behind last year's levels.

VCR's, refrigerators, vacs top the polls as retailers' most popular products for '86

By Maureen Haefner, market data editor

NEW YORK—Although the final results from 1985 are not even in yet, many retailers are already busy planning for the year to come. And it's at times like this that a crystal ball would come in mighty handy.

What, we might ask, are going to be the most popular products of 1986?

What kind of sales increases are they going to generate?

And which products are going to pack the most potential in terms of profits?

Lacking a crystal ball ourselves, we at *Merchandising* turned to our next best source of information—you, the retailer. We asked you to look ahead, into the new year, and answer the questions listed above. We then tabulated the results to produce *Action Forecast '86*.

It's important to remember when looking at the tables on this and the next page that the first chart in each category is really a type of popularity contest. Retailers simply listed the products they expect to generate the greatest increase in dollar volume next year.

The second chart shows the amount of increase the dealers who actually carry the products expect over this year's results.

continued on page 14

Consumer Electronics

Consumer electronics products expected to generate the greatest increase in dollar volume in 1986 (Based on 89 replies)

	Percent of respondents listing product in Top 5
1. Videocassette recorders	82.0%
2. Color TV's	60.7
3. Home Stereo Equipment	33.7
*4. Satellite Earth Stations	25.8
5. Video Cameras	23.6
6. Projection TV's	15.7
7. Telephones	12.4
8. Blank Videocassettes	11.2
9. Car Stereos	9.0
10. Portable Audio Equipment	6.7
11. Computers	5.6
12-16. Computer Software	2.2
12-16. Computer Peripherals	2.2
12-16. Prerecorded Videocassettes	2.2
12-16. Phone Answering Devices	2.2
12-16. Blank Audiotapes	2.2
17. Electronic Typewriters	1.1

*Respondents were mainly specialty stores located in outlying areas.

Expected increase in dollar volume for 1986 vs. 1985 and 1985 vs. 1984 (Based on 50 replies)

	Average expected percent change '86 vs. '85	Average percent change '85 vs '84
1. Satellite Earth Stations	43.7%	23.0%
2. Home Stereo Equipment	43.3	28.9
3-4. Videocassette Recorders	36.1	42.2
3-4. Video Cameras	36.1	31.7
5. Projection TV's	25.0	23.6
6. Telephones	23.7	27.8
7. Portable Audio Equipment	21.3	11.7
8. Blank Videocassettes	19.3	20.3
9. Color TV's	12.8	10.9
10. Car Stereos	11.0	4.4

Consumer electronics products expected to generate the greatest dollar profit in 1986 (Based on 91 replies)

	Percent of respondents listing product
1. Color TV's	49.5%
2. Videocassette Recorders	19.8
3. Home Stereo Equipment	15.4
4. Satellite Earth Stations	12.1
5-6. Phone Answering Devices	3.3
5-6. Car Stereos	3.3
7-10. Telephones	2.2
7-10. Projection TV's	2.2
7-10. Portable Audio Equipment	2.2
7-10. Prerecorded Videocassettes	2.2
11-12. Video Cameras	1.1
11-12. Blank Audiotapes	1.1

Expected increase in total consumer electronics dollar sales in 1986 vs. 1985 and 1985 vs. 1984 (Based on 66 replies)

Average increase expected 1986 vs. 1985	18.0%
Average increase expected 1985 vs. 1984	16.8%

Major Appliances

Major appliances expected to generate the greatest increase in dollar volume in 1986 (Based on 103 replies)

	Percent of respondents listing product in Top 3
1. Refrigerators	67.0%
2. Clothes Washers	60.2
3. Microwave Ovens (countertop)	54.4
4. Clothes Dryers	39.8
5. Air Conditioners	17.5
6. Electric Ranges	16.5
7. Gas Ranges	14.6
8. Dishwashers	12.6
9. Freezers	7.8

Expected increase in dollar volume for 1986 vs. 1985 and 1985 vs. 1984 (Based on 53 replies)

	Average expected percent change '86 vs. '85	Average percent change '85 vs '84
1. Air Conditioners	31.4%	12.6%
2. Freezers	26.9	21.9
3. Gas Ranges	23.1	25.4
4. Microwave Ovens	21.3	22.2
5. Electric Ranges	16.8	17.8
6. Refrigerators	15.9	14.0
7. Dishwashers	15.7	18.3
8. Clothes Washers	14.9	10.3
9. Clothes Dryers	14.4	5.8

Major appliances expected to generate the greatest dollar profit in 1986 (Based on 94 replies)

	Percent of respondents listing product
1. Refrigerators	39.4%
2. Clothes Washers	30.9
3. Clothes Dryers	23.4
4-5. Microwave Ovens	14.9
4-5. Gas Ranges	14.9
6. Electric Ranges	10.6
7. Dishwashers	8.5
8. Air Conditioners	4.3
9. Freezers	2.1

Expected increase in total major appliance sales in 1986 vs. 1985 and 1985 vs. 1984 (Based on 89 replies)

Average increase expected 1986 vs. 1985	13.4%
Average increase 1985 vs. 1984	9.3%

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The third illustrates which products should be the real breadwinners in terms of profitability.

VCR's take honors

In electronics, the VCR once again won the popularity contest hands down, coming in far ahead of every other product. The average retailer said he expects the VCR to generate a 36.1 percent increase in sales next year. That is, however, down a bit from the 42.2 percent jump expected for full-year 1985.

Although it came in second in the popularity poll, the color TV is expected to be the most profitable product in consumer electronics by a long shot.

Next on the popularity chart comes home stereo equipment, being driven largely by the phenomenally successful compact disc player. The category also came in third in the dealer's profitability expectations.

Number four with a bullet in the popularity poll is the satellite earth station. Retailers expect it will show a 43.7 percent increase in dollar volume next year on top of a 23 percent jump for 1985. And the profits should be there as well: The product came in fourth on that chart.

Microwaves level off

In major appliances, the refrigerator holds the number one position in the popularity poll. It also rated tops as the expected profit producer.

Number two on the popularity poll is the washing machine which also holds the number two position on the profitability chart.

Coming in number three in the popularity poll is the microwave oven, a one-notch slip from last year's poll. *(Although it's impossible to compare last year's Action Forecast with this year's because different retailers were polled for each, the results can be used to get a picture of overall trends.)*

The microwave, it would seem, is reaching the point in its life where it can no longer be counted on to produce huge growth rates year after year.

Nevertheless, the retailers said, they expect the category to turn in a 21.3 percent increase in sales compared with 22.2 percent for full-year 1985.

Housewares see stability

Topping the popularity chart in housewares is the full-sized vacuum cleaner. It's also expected to be the most profitable product of the year.

Close on its heels is its little brother, the hand-held vac, which also came in second in terms of expected profitability.

Third on the profitability chart is microwave cookware. Like the microwave oven, it too is not as popular as it was last year among retailers, although it still came in third on the profitability chart.

Also tied for fourth place in popularity is the full-sized iron.

How we did it

Statistical matter for this survey was collected and compiled by Selma Book, market research manager, and research associate Pat Jagbandhansigh.

Data was gathered from two groups of retailers: one selling consumer electronics and major appliances and one selling housewares.

On the consumer electronics and major appliances side, 64.2 percent of the retailers polled described themselves as household appliance stores. Some 25.4 percent said they were radio/TV stores, 9.8 percent were video specialty stores, 8.7 percent were housewares/hardware stores, 7.5 percent were audio hifi specialty stores with the remainder of the group comprised of department stores, home furnishings retailers, home centers, discount stores and catalog showrooms. Together, these retailers represented a total of 962 outlets.

Most of the stores, 80.9 percent, were single-unit companies, with the remaining 19.1 percent representing units of chain operations. Expected sales volume for 1985 hit a median of $477,273.

Of the 195 housewares retailers polled, 53.9 percent said they were housewares/hardware stores, 20.5 percent were appliance/TV stores, 12.3 were department stores, 5.6 percent were discount stores, 4.1 percent were home and auto stores, 2.1 percent were furniture stores and 1.5 percent were home centers. They represented a total of 1,434 retail outlets.

Again, most of the stores, 85.1 percent, were single-unit companies. The remaining 14.9 percent were multi-unit operations, including a 365-unit retailer, a 350-unit company, a 160-unit company and a 140-unit company. Expected sales volume for the 1985 group hit a median of $809,210.

In both cases, retailers were polled on a nationwide basis.

Housewares

Housewares products expected to generate the greatest increase in dollar sales in 1986 (Based on 82 replies)

	Percent of respondents listing product in Top 5
1. Full-Sized Vacuum Cleaners	34.1%
2. Hand-Held Vacuum Cleaners	32.9
3. Microwave Cookware	30.5
4-5. Gas Grills	25.6
4-5. Standard Size Irons	25.6
6-7. Ceiling Fans	23.2
6-7. Food Processors	23.2
8. Drip Coffee Makers	20.7
9. Fans (except ceiling)	19.5
10. Toaster Oven/Broilers	15.9
11-12. Oil-Filled Heaters	13.4
11-12. Ultrasonic Humidifiers	13.4
13. Clocks	12.2
14-15. Metal Cookware	11.0
14-15. Toasters	11.0
16-17. Mixers	6.1
16-17. Digital Scales	6.1
18. Timers	4.9
19-21. Blood Pressure Monitors	3.7
19-21. Blenders	3.7
19-21. Hair Dryers	3.7
22-24. Digital Thermometers	2.4
22-24. Curling Irons	2.4
22-24. Woks	2.4
25. Shavers	1.2

Expected increase in dollar volume for 1986 vs. 1985 and 1985 vs. 1984 (Based on 47 replies)

	Average expected percent change '86 vs. '85	Average percent change '85 vs '84
1. Ceiling Fans	30.8%	18.0%
2. Food Processors	29.3	30.9
3. Clocks	21.3	22.0
4. Microwave Cookware	20.0	13.4
5. Ultrasonic Humidifiers	18.7	26.4
6. Hand-Held Vacuums	17.5	11.1
7. Fans (except ceiling)	16.4	-0.9
8. Full-Sized Vacuums	16.1	9.0
9. Gas Grills	14.0	11.3
10. Oil-Filled Heaters	13.3	10.3

Housewares products expected to generate the greatest dollar profit in 1986 (Based on 93 replies)

	Percent of respondents listing product
1. Full-Sized Vacuum Cleaners	26.9%
2. Hand-Held Vacuum Cleaners	24.7
3. Microwave Cookware	10.8
4. Fans (except ceiling)	9.7
5-6. Gas Grills	8.6
5-6. Clocks	8.6
7. Metal Cookware/Bakeware	7.5
8-9. Standard Size Irons	6.5
8-9. Drip Coffee Makers	6.5
10. Oil-Filled Heaters	5.4
11. Ceiling Fans	4.3
12. Ultrasonic Humidifiers	3.2
13-15. Toasters	2.2
13-15. Shavers	2.2
13-15. Curling Irons	2.2
16-19. Food Processors	1.1
16-19. Toaster Oven/Broilers	1.1
16-19. Timers	1.1
16-19. Hair Dryers	1.1

Expected increase in total housewares products dollar sales in 1986 vs. 1985 and 1985 vs. 1984 (Based on 88 replies)

Average increase expected 1986 vs. 1985	9.1%
Average increase 1985 vs. 1984	6.4%

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

TITLE	Last month's position	Months on chart
1. **Ghostbusters** *(RCA/Columbia)* I	—	1
2. **Beverly Hills Cop** *(Paramount)*	—	1
3. **The Breakfast Club** *(MCA)* I	1	2
4. **Amadeus** *(Thorn EMI/HBO)* P	3	2
5. **The Killing Fields** *(Warner)* P	2	3
6. **Police Academy II** *(Warner)* P	10	2
7. **Desperately Seeking Susan** *(Thorn EMI/HBO)* P	6	3
8. **Missing in Action II** *(MGM/UA)*	4	2
9. **Ladyhawke** *(Warner)* P	—	1
10. **Gotcha!** *(MCA)* G	—	1
11. **Secret Admirer** *(Thorn EMI/HBO)* P	—	1
12. **Nightmare on Elm Street** *(Media)* P	13	5
13. **Baby: Secret of the Lost Legend** *(Touchstone)*	—	1
14. **Porky's Revenge** *(CBS/Fox)*	9	2
15. **The Karate Kid** *(RCA/Columbia)* P	5	6
16. **A Passage to India** *(RCA/Columbia)*	12	3
17. **Brewster's Millions** *(MCA)* P	—	1
18. **The Sure Thing** *(Embassy)* I	7	3
19. **A Soldier's Story** *(RCA/Columbia)* P	8	5
20. **Turk 182** *(CBS/Fox)*	15	2
21. **Cat's Eye** *(Key)*	—	1
22. **Friday the 13th Part 5** *(Paramount)*	22	2
23. **The Slugger's Wife** *(RCA/Columbia)*	20	2
24. **Stick** *(MCA)* P	23	3
25. **Starman** *(RCA/Columbia)* P	14	5
26. **Falcon and the Snowman** *(Vestron)* P	11	5
27. **Moving Violations** *(CBS/Fox)*	—	1
28. **Mrs. Soffel** *(MGM/UA)*	17	3
29. **Wrestlemania** *(Coliseum)*	29	2
30. **Pinocchio** *(Walt Disney)* I	—	3

Top 10 in videocassette sales

1.	**Beverly Hills Cop** *(Paramount)* P	9	2
2.	**Jane Fonda's New Workout** *(Karl-Lorimar)*	—	1
3.	**Jane Fonda's Workout** *(Karl-Lorimar)* P	1	41
4.	**Ghostbusters** *(RCA/Columbia*	—	1
5.	**Pinocchio** *(Walt Disney)*	3	4
6.	**Jane Fonda's Prime Time** *(Karl-Lorimar)* P	2	12
7.	**White Christmas** *(Paramount)*	—	1
8.	**Amadeus** *(Thorn EMI/HBO)* P	—	1
9.	**Prince and the Revolution—"Live"** *(Warner)* P	6	4
10.	**Dumbo** *(Walt Disney)*	—	2

Top 5 in laserdisc sales

1.	**Pinocchio** *(Walt Disney)*	—	2
2.	**Ghostbusters** *(RCA/Columbia)*	—	1
3.	**The Killing Fields** *(Warner)*	1	2
4.	**2010** *(MGM/UA)*	2	3
5.	**Breakfast Club** *(MCA)*	—	1

Top 5 in alternative programs

1.	**Jane Fonda's Workout** *(Karl-Lorimar)* P	1	14
2.	**Jane Fonda's New Workout** *(Karl-Lorimar)*	—	1
3.	**Jane Fonda's Prime Time** *(Karl-Lorimar)*	2	12
4.	**We are the World** *(RCA/Columbia)*	—	4
5.	**Prince and the Revolution—"Live"** *(Warner)* P	5	4

I —Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)
P—Title has gone platinum—has sold 150,000 on disc and/or cassette and has sales of at least $6 million. (RIAA/Video)
G—Title has gone gold—has sold 75,000 on disc and/or cassette and has sales of at least $3 million. (RIAA/Video)
(For non-theatrical products, the RIAA certifies a Gold award for 30,000 units or a value of $1.2 million in suggested retail price. Platinum awards are given to tapes with 60,000 units or at least $2.4 million in suggested retail value.)

RCA/COLUMBIA

SHAMPOO (1975) Warren Beatty plays a Beverly Hills hairdresser who can't resist women. He tries to borrow money to open a beauty salon from an investment counselor (Jack Warden), and proceeds to have affairs with his wife (Lee Grant), mistress (Julie Christie) and daughter (Carrie Fisher). He also has a girlfriend (Goldie Hawn). Needless to say, disastrous results ensue. Directed by Hal Ashby. *Color R 112 minutes VHS Hifi Beta Hifi C: $59.95. Closed captioned*

CBS/FOX

A VIEW TO A KILL (1985) The latest James Bond flick features the unflappable Roger Moore fighting against Max Zorin (Christopher Walken), who wants to control the world computer market. He also tangles with Zorin's assistant, May Day (rock singer Grace Jones), whose mohawk haircut doesn't deter 007 from having a fling with her. Bond's love interest is played by Tanya Roberts. The movie was filmed on location in places ranging from Paris' Eiffel Tower to San Francisco's Golden Gate Bridge. John Glenn directed. *Color PG 131 minutes VHS Hifi stereo Beta Hifi stereo C: $79.98. Closed captioned.*

WALT DISNEY

THE MICKEY MOUSE CLUB (1955) The first five volumes, each containing three half-hour episodes, feature all the favorite characters from the hit show—Spin and Marty, Jimmie, Roy, Darlene, and Annette Funicello, who introduces each cassette. Each introduction includes rare footage and photos from her collection. *B/W 90 minutes VHS Beta C: $49.95.*

PARAMOUNT

LA BOHEME (1982) Part of Paramount's Live From The Met series, the opera focuses on two sets of lovers, Mimi and Rodolfo (Teresa Stratas and Jose Carreras), and Musetta and Marcello (Renata Scotto and Richard Stilwell). Their bohemian life was based on composer Puccini's own early life. Directed by Franco Zeffirelli. *Color 125 minutes VHS Hifi stereo Beta Hifi stereo C: $59.95. English subtitles.*

PLAYHOUSE

BATMAN (1966) Holy Toledo! The dynamic duo is back. Batman and Robin (Adam West and Burt Ward) battle the Joker (Cesar Romero), the Penguin (Burgess Meredith), the Riddler (Frank Gorshin) and Catwoman (Lee Meriwether). The heroes, aided by vehicles such as the Batcycle and the Batcopter, try to thwart the villains' plan to take over the world. The bad guys use a substance that instantly turns people to dust. *Color 104 minutes VHS Hifi Beta Hifi C: $29.98. Closed captioned.*

WARNER

PALE RIDER (1985) Produced and directed by, and starring, Clint Eastwood, the movie concerns a nameless stranger who rides into a California town during the Gold Rush. He becomes involved in a feud between two gold prospectors. Guess who wins? Also starring Michael Moriarty, Carrie Snodgrass, Christopher Penn, Richard Dysart and Richard Kiel. *Color R 116 minutes VHS Hifi stereo Beta Hifi stereo C: $79.95. LV: $34.98. Closed-captioned.*

SONY

MONTEREY POP (1967) The legends of rock and roll are featured in the film of the famous music festival in Monterey, CA. Performers include Janis Joplin, Jimi Hendrix, The Who, Jefferson Airplane, Simon & Garfunkel, The Mamas and the Papas, Otis Redding and the Rolling Stones. *Color 72 minutes VHS Beta C: $59.95.*

SIMITAR

BROADWAY BODY WORKOUT (1985) Carol Lawrence sings Broadway show tunes to accompany a cardiovascular exercise program for all ages. Basic dance steps are included in the workout. Featured shows include Damn Yankees, The Music Man, Hello Dolly, Mame and Annie Get Your Gun. *Color 75 minutes VHS C: $24.95.*

Rebates for energy-saving appliances spur sales

By Irene Clepper, contributing ed.

MINNEAPOLIS—After more than three years in operation, Northern States Power Co.'s (NSP) consumer rebate program, which rewards people for buying energy-efficient appliances, has had two major effects:

1. It has significantly reduced the power company's electrical load.
2. It has actually helped increase sales of high-ticket, high-margin energy-efficient appliances.

According to a questionnaire answered by customers who have received rebates, 60 percent said their decision to buy an energy-efficient appliance was influenced by the money-back offer. And 22 percent said they would not have bought the appliance they did without a rebate.

Such energy-saving is mandated in Minnesota's Energy Omnibus Act, passed in 1980. The law directed the state's Public Utilities Commission to solicit plans from utilities for various energy conservation investment programs.

Additional state legislation from the 1983-84 session requires utilities to spend "significant" amounts of their revenues on conservation programs. A definition of "significant" is pending in the courts.

The rebate program, from its outset in March 1982 thr[illegible] June 30 of this year, has reduc[illegible] demand by an estimated [illegible] ilowatts.

This figure includes savings from North Dakota and South Dakota users, who were added to the program in August 1984, after approval by the public utilities commissions in those states.

The program is NSP's method of "shaving off the peaks of electricity use," explained Lynn Gustafson, supervisor of the utility's market support services. "By keeping production cost-effective, we can keep rates among the lowest in the nation and, down the line, avoid having to build additional facilities."

Gustafson estimates that approximately 90 percent of all appliance dealers are registered with the program, which offers rebates of up to $200.

For example, room air conditioners can net rebates ranging from $20 to $120; refrigerator/freezers, $15 or $30; refrigerators, $15, and freezers, $15.

Dealers pleased

Retailers, in general, report they are satisfied with the program.

"The rebates are quite substantial," said Jim Thiers, co-owner of Hoeft TV & Appliance Center, St. Paul. "They cut the price of the energy-efficient appliances and also save money on electric bills."

NSP furnishes retailers with stickers, wall banners and ad slicks to help them promote the program. The stickers show each model's efficiency rating and assigned rebate.

Some dealers go even further, promoting the rebates on their own. Warners' Stellian Appliance Co., Inc., St. Paul, used 93 Susan B. Anthony silver dollars to create a huge dollar sign on the door of one Amana energy-efficient refrigerator. The coins were embedded in circles that were carefully cut in the product's plastic front panel.

"When a customer stops to look at this unusual dollar sign, it's likely that he will go on and read its energy rating," owner Jim Warner commented.

NSP requires a minimum of paperwork from the participating appliance dealers. The retailer supplies an appliance purchaser with the necessary form; it is up to the customer to send the form, along with a copy of his receipt, to NSP. He will then receive the rebate directly from the utility.

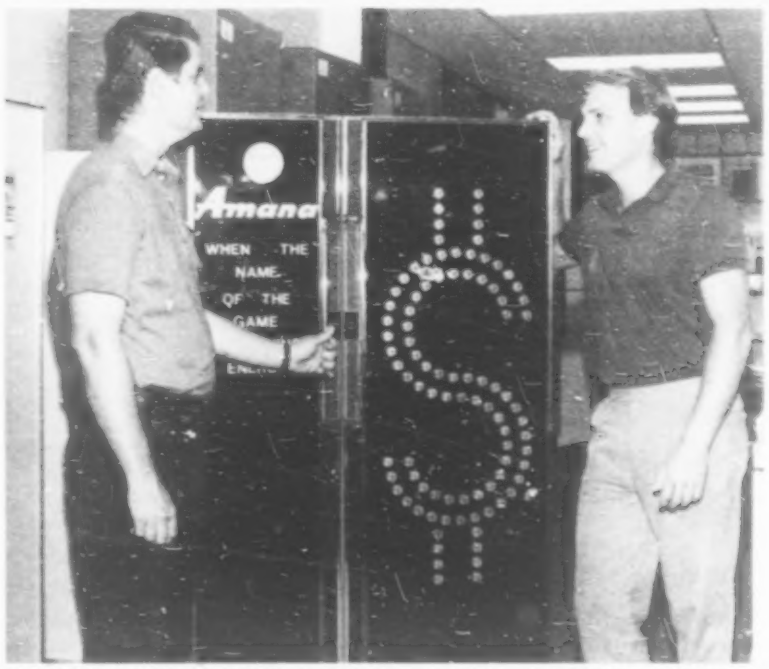
While the program has been a success, the trend towards energy efficiency may require a change in the near future.

"We give a rebate, scaled accordingly, for anything above an 8.5 efficiency rating," explained Dave Grover, NSP's senior marketing engineer. "But since our last evaluation, the appliance market has changed so much and energy efficiency has increased so dramatically that we will probably raise our standard; 8.5 is not considered very efficient anymore."

How many rebates have been granted?

Number of rebates given by NSP in the three states by the end of July 1985 (the fourth year for Minnesota and first fiscal year for North and South Dakota).

	Minnesota 1,237 dealers	North Dakota 141 dealers	South Dakota 153 dealers
Refrigerator/ freezers	9,733	156	228
Freezers	1,966	43	30
Water Heaters	1,347	85	37
Central Air Conditioners	12,172	94	185
Room Air Conditioners	3,217	6	17



SELLING EFFICIENCY, Jeff Warner, of Warners' Stellian Appliance, points out a dollar sign made of Susan B. Anthony silver dollars to an appliance customer.

Distributors forced to reassign salesmen of competing brands

continued from page 38

"We were forced to drop the Speed Queen line when Amana entered the laundry business," noted Jim Williams, president. "We had carried Speed Queen only a couple of years but had put a lot of time and effort into the product. It was not our choice to drop it. But the manufacturer didn't want to continue to do business with us since we also carried Amana."

Now that Amana has entered the dishwasher market, will Williams again have problems? Probably not, he said. "Our other dishwasher line is General Electric and most of that business is done with the builder segment. The Amana line is earmarked for appliance dealers. If Amana becomes more builder-oriented later on then there may be a conflict and we might have to make a choice."

Regarding ranges—Williams carries several lines including Amana and General Electric—there has been no real conflict since the products are priced differently. "They go to different clientele; Amana appeals to the high-end consumers while GE and Roper are more for consumers in the middle price range. Brown, on the other hand, is geared to a different customer at the lower end of the spectrum," Williams said.

Another reason there is no conflict among these lines is that a different group of salespeople handles each. There are four groups at Williams. Different salesmen call on appliance merchants, while others sell direct to developers, builders and retail kitchen dealers.

Dale Baden, sales manager, Amana, Roth Distributing, Earth City, MO, said his firm also chose to give different lines to different salespeople. "Manufacturers like to see this. But we made the decision to split the force to avoid confusion among the salesmen about knowing and merchandising the different lines," he said. "It made us more organized." Roth carries Amana, Jenn-Air and KitchenAid.

"We changed some territories, making them smaller," Baden added. "But this type of action also depends on the market. In a rural area it may not be cost effective to have two salesmen cover the territory. A man on the road for just KitchenAid, for example, would be too expensive."

At King Kitchens, Inc., in Memphis, conflicts over cooking equipment and dishwasher lines have necessitated having two sales managers and two separate sales forces handle lines that include Thermador/Waste King, KitchenAid and

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Audit service may help save money on energy bills

continued from page 1
costs to the tune of $17 million; many techniques covered by Bartow are adaptable to average size stores.

An audit service may be mandated if the House does not move to kill the program, which the Senate killed in August. The Commercial and Apartment Conservation Service (CACS) program requires utilities to audit energy usage and recommended improvements.

"A customer could save from 15 to 25 percent if they were to follow recommendations of an audit, depending on how much they've already done," estimated Pat Singleton, Georgia Power commercial marketing manager.

Singleton does not favor the mandate. "With all the administrative upkeep the law requires, companies will probably have to charge for the service," he said. The fee could range from $15 to $350 nationwide, depending on administrative costs, estimated Singleton. The state regulatory body has final approval of fees.

According to Singleton, Georgia Power has 145,000 commercial accounts, 90,000 of which will probably be eligible.

Georgia Power, as well as many other utility companies, already offers an audit service to customers. Some charge a fee while others offer the service free of charge. Through this service, the utility sends an auditor to survey the customer's location and recommend areas where energy could be saved.

Will offer free service

While agreeing that the administrative upkeep of the plan will be a problem, Ron Griffith, senior marketing consultant for Northern States Power in Minneapolis, said that his company will probably offer the service free of charge. The company currently offers an audit service to larger users, with fees ranging from $100 to $500 depending on the size of the operation.

The CACS program will be available to all users of 4,000 kWh per month or less. States had to submit their audit plans to the Department of Energy (DOE) by June of 1984 for approval. Services did not have to be offered until one year after such approval.

If a state will run its own program, the DOE will run a "standby" program there. Currently 25 states have approved plans and only Michigan offers CACS services.

If the House fails to act, all utilities must offer the service through 1990. At press time, the House made no move to mark up a bill.

Georgia Power senior field engineer Mike Frassrand stressed that audit recommendations do not usually involve a big expenditure. "More than half the results can be achieved through good management," insisted Frassrand. He estimated that commercial customers spend an average of $1.50 per square foot on utilities.

While utility companies will be obligated to offer this service, they still will not be obliged to provide users with the lowest possible rate. It is the customer's responsibility to choose a rate structure, and to be sure that earned discounts are applied to outstanding bills.

For this reason, many stores have employed services to analyze their bills. One such company is the National Utility Service (NUS). The company charges fees ranging from $1,500 to $7,500 for a five-year contract, depending on the size of the customer, plus 50 percent of any refunds or savings effected. NUS analyzes a client's past 12 months' bills to detect overcharges. Current bills are also reviewed to determine where savings can be made.

Peak shaving cuts costs

Another useful method of cutting utility bills is known as "peak shaving." Most utility companies charge users for the highest 30-minute period, or "peak demand period," multiplied by the total hours of use per month. This is known as "billing demand."

So, if a store used 200 hours in a given month and peaked at 50 kilowatts (kW), it would be billed for the 50 kilowatt demand (kWd) times 200 hours, for a total of 10,000 kilowatt hours (kWh). With an average cost of six cents per kW, according to Frassand, the store would pay $600 that month.

(Most companies charge a different percentage of kWd depending on the time of year. Georgia Power, for instance, charges 95 percent of the kWd from June to September and 60 percent from October to May.)

If that store could have shaved as little as one kW off that peak, it would have saved $12 that month (49 kWd x 200 hours=9,800 kWh x .06 per kW=$588.) If the store could have shaved as much as 20 kW off that peak, it would have saved $140 that month (30 kWd x 200 hours=6,000 kWh x .06 per kW=$360).

In order to shave this peak, a store has to identify the peak load period and try to reschedule some operations for different times. Believe it or not, most utility companies would like to see these peak demands reduced to avoid the expense of building additional power stations. These new stations will sit idle during off-peak hours so they are not cost-effective. Utility companies offer time-of-day discounts to encourage off-peak use. These discounts vary from company to company.

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How much more are you paying?

Survey of comparative commercial and industrial electric costs from 1980 to 1985 for the 23 largest U.S. utilities

Company	Cents/kWh April '85	Cents/kWh March '80	% Change
Pacific Gas & Electric (San Francisco)	8.58	4.68	+ 83.3%
Commonwealth Edison (Chicago)	6.23	4.75	+ 31.2
Southern Company (Atlanta) (Georgia Power)	5.08	3.37	+ 50.7
American Electric Power (Columbus) (Ohio Power)	4.75	3.46	+ 37.3
Middle South Utilities (New Orleans) (Louisiana Power & Light)	4.74	2.66	+ 78.2
Southern California Edison (Rosemead)	8.25	5.64	+ 46.3
Texas Utilities (Dallas) (Texas Utilities Electric)	4.89	3.03	+ 61.4
Public Service Electric & Gas (Newark)	7.81	4.55	+ 71.6
Consumers Power (Jackson)	6.49	4.46	+ 45.5
Consolidated Edison (New York)	11.52	9.07	+ 27.0
Detroit Edison	7.01	4.57	+ 53.4
Philadelphia Electric	7.25	5.37	+ 35.0
Florida Power & Light (Miami)	6.92	4.13	+ 67.6
Virginia Electric & Power Co. (Richmond)	4.52	4.69	– 03.6
Duke Power (Charlotte)	4.64	2.92	+ 58.9
Houston Industries (Houston Lighting & Power)	6.19	3.78	+ 63.8
Long Island Lighting (Mineola)	10.22	6.19	+ 65.1
Pennsylvania Power & Light (Allentown)	5.26	2.96	+ 77.7
Ohio Edison (Akron)	6.42	4.30	+ 49.3
Central & Southwest (Dallas) (Public Service of Oklahoma)	4.81	2.86	+ 68.2
Niagara Mohawk Power (Syracuse)	6.10	4.09	+ 49.1
General Public Utilities (Parsippany) (Jersey Central Power & Light)	8.92	4.35	+ 105.1
Carolina Power & Light (Raleigh)	5.42	3.09	+ 75.4

Average % of Increase: 56.4% (unweighted)

Figures based on customer size of 1,000 kW—450,000 kWh and customer-owned transformers. Figures include fuel adjustment, subcharges, etc., but not city or state sales tax.

Source: National Utility Service

Rich's saved $17 million on utility charges in 1984

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In order to control peak load periods, Rich's Bartow implemented a "demand limiter" program. Through this program, a computer system renders the store's equipment incapable of surpassing a preset peak demand. Bartow referred to this as "setting a spike." One spike could cost as much as $8,000 to $12,000 for a large operation.

Saves $17 million

The 5.7-million-sq.ft. Rich's has grown 104 percent since 1969. The cost of electricity there has increased 408 percent since then. Yet the 117-store chain managed to save $17 million on utility bills in 1984 through its cost control program.

What is its key to success? According to Bartow, it is "thinking smart." It is one thing to think smart, but putting that smart thinking into action requires a lot of careful planning, hard work and—for an operation of Rich's size—a large initial investment. But if your operation falls short of the 5.7-million-sq.-ft. mark, a smart conservation program does not have to be costly.

Bartow's energy management-program was conceived in '72 and put in place in '73 after a careful test. He worked closely with Georgia Power in monitoring the test store. "We couldn't have asked for anybody to be more cooperative. They were as enthusiastic about the effort as we were," he recalled.

Rich's lighting improvement program involves efficiencies of energy conservation and, more importantly, the improvement of the 'theater' of the merchandise.

Bartow stressed that while the chain is attempting to save energy, its top priority is to create displays that are appealing. "We're in the business of selling merchandise, not saving energy," he stressed.

To achieve this, Bartow added color-corrected, energy-efficient fluorescents to provide the closest thing to natural daylight and to the true color of the merchandise. (Fluorescents tend to give off green light.)

Energy-efficient ballasts to power the fluorescents were installed and four-lamp fixtures were replaced with two-lamp fixtures. The fluorescents were augmented with spotlights to highlight merchandise. The spotlights' bulbs have energy-saving 90 W caps which emit 150 W of light.

In the electronics department, Bartow limited the amount of ambient lighting in the TV area, with the exception of accent lighting. "We try to get the level of accent lighting to a minimum because this area doesn't need much light."

The store's utility equipment is controlled by computer, which monitors all energy functions. While the cost of a computer-controlled utility system (from $10,000 to $30,000) is prohibitive for a small operation, the amount of money the system saves Rich's makes it an effective means of utility cost control.

According to Frassrand, a time clock can control utility use in much the same way as a computer control system for as little as $150 to $500.

Dealers say promos can dispose of used tapes

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The dealers say they sell to the brokers for a number of reasons.

First of all, it's easy. It means immediate revenue for little work.

Brokers say they pay about half the list price for a used tape (roughly $40 for a standard-priced $79.95 cassette, if it is a popular title). Nationwide Video said it will pay $35 for most $60 tapes within 21 days of the release date, $28 within 60 days and $25 thereafter.

But retailers claim the brokers can be picky. "They basically are looking for the hot stuff," commented Tim McKeown, owner of Video Biz in Antioch, CA.

In fact, many of the retailers interviewed said that they could make more money selling their used tapes at retail. But that's not always an easy proposition.

"Very few of our customers have an interest in buying a used movie," said Chuck Gilpin, owner of Video East-West, Joplin, MO. "We've tried a lot of different approaches, but we sell only five to six a month in the store. It just doesn't work."

Promos work

Other dealers who have been successful in selling used tapes to their customers find that promoting the titles has helped.

A yearly "turkey sale" at Video Cassettes Unlimited is one way the store gets rid of its used tapes. "I have no trouble moving these titles at $9.95," said Pough.

On an ongoing basis, the store sells used tapes for $19.95 to $39.95, depending on the original price. And the titles are trumpeted through the firm's catalog, a monthly newsletter and a sign placed in the middle of the store that reads, "Own a piece of Hollywood. Buy a used tape at a discount."

At the Video Place, Barnako advertises used tapes in the store's newsletter as "previously rented." Ads run on TV and in The Washington Post say simply, "Movies for sale, $19.95."

A used movie sale is held twice a year at Tampa Video Station. The tapes are put in a bin and sold for $19.95 each, or six for $99. "The customers love it," said Ross.

The store's quarterly newsletter also promotes the used cassettes. And whatever doesn't sell goes back on the rental shelf.

Electronics furniture vendors unveil small carts and elaborate wall systems

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who works at home. Sligh has added a computer-oriented L-shaped oak desk in traditional styling for $3,000.

Van Pelt's VP Systems International, Greenvale, NY, (American distributor for the Belgium firm) introduced a large collection of pieces from small carts for TV's and microwaves to elaborate wall systems.

Typical in this group was The Maryland wall system featuring a black case, rosewood doors and faces, brass accents, considerable concealed storage in cabinets and drawers, compartments for a large TV and audio/video components, a mirrored bar, lighted display areas and glass doors. Suggested retail price is $799.

Hekman Furniture Co., Grand Rapids, MI, showed several new entertainment centers, including a traditional-styled model in cherry solids and veneers, a campaign style in mahogany and an informal piece in ash solids and veneers.

Each unit accommodates a large TV set on a tilt/swivel pull out and includes an underneath VCR shelf and shelves for equipment and tape storage.

Creative Cabinets, Springfield, VA, introduced a computer/home entertainment cabinet in mahogany solids with oak/cherry veneers. The unit has adjustable shelves for a 25- or 26-in. monitor, two VCR's, stereo equipment, a turntable, cable converter and satellite dish control as well as removable file dividers for record storage, two drawers for cassettes and one for video tapes.

The unit can be adapted to serve as a computer console and is available in black lacquer.

Distributors set up separate sales areas

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Sub-Zero.

"The move really increased our overhead in sales and the administrative areas," said Tom King, owner and president. "It has worked, but it has hurt us profitwise."

The common solution

Setting up separate sales areas at the distributor level is the common solution to conflicting product lines, said Don Matney, vice president of marketing, Jenn-Air.

And carrying additional product categories is a benefit, he pointed out, since it gives the distributors added volume. "For example, some of our distributors didn't have a dishwasher line when we introduced that product, so they welcomed our units. And broader lines give the dealer more product options to choose from."

Matney said that all Jenn-Air merchandise is currently moved through its distributor network; it's still the most viable way to handle product. However, there may be programs developed in the future to sell directly to the large appliance operations "if it's to our benefit."

Workers enjoy gains by lending to firms

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group of sources relates to your employees or employee funds. Employees often have very important added benefits from becoming lenders. One such benefit may stem from a situation in which their jobs may be at stake. Many companies have been saved with loans from employees.

Another benefit to employees may be higher rates on their money. Companies in good financial condition have borrowed from employees because it was less expensive than borrowing from a commercial bank. At the same time, the employees received more interest than they would have received from deposit accounts or money market funds. In effect, the middleman was cut out.

A variation of this is to give added incentive to the employee loans with options to buy preferred stock with no voting rights. This gives the employees potential for earnings and growth on investment.

[c] 1985, Allen E. Fishman

A GRALLA PUBLICATION

Merchandising

JANUARY 1986

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

OVER 1,400 EXHIBITS and 37 seminars are on tap at the Winter Consumer Electronics Show. More than 100,000 are expected to attend.

ELECTRONICS

Wichita becomes a war zone as power retailers invade town

By Michael Garry, sr. assoc. ed.

WICHITA—In the past few years, traditional appliance and consumer electronics dealers in this Kansas town of 300,000 have cut customer services, reduced hours, slashed inventories, consolidated stores, pared sales staff commissions and, in some instances, trimmed the staff itself.

All this and more has been done with one thought in mind: survival. For retailing in Wichita is not what it used to be.

Until recently, the market was much like many others—dominated by small and medium-sized independents. But things began to change when power and discount retailers rolled into town, armed with massive buying and advertising power that has drastically altered the retail landscape.

Small stores, large independents, even K mart have all been hit by the arrival of outfits such as Silo, MidWest TV & Appliance, World Radio and Sam's Wholesale Club.

While all have fought back, the impact of the invasion has had a predictable impact on the smaller independents. At least one—O-Square Appliances—has gone out of business. And others have had to make radical changes just to stay afloat.

Sam DelGeorge, owner for 30 years of Del's TV-Appliance Center,

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APPLIANCES

Expanding 35-44 age bracket to spark replacement business

By Nancy Markov, field editor

BENTON HARBOR, MI—The rest of the century looks excellent for the replacement market in major appliances as the largest chunk of the population enters the years when most people make their second or third purchases.

There will be approximately 43.5 million people in the 35-to-44 age bracket in the year 2000, and it is this group that is the best audience for replacement purchases.

It's also an audience that's eager to trade up, to pay for extra features that will differentiate the new appliance from that first unit they probably bought with their home.

Factors less predictable than aging, however, will also affect the market. These include how often people will move, how much appliances cost, how long today's products last and the effects of changing lifestyles and new technologies.

Perhaps the most important factor that will boost sales of replacement appliances in the future is the aging of the population. More and more people are going to be entering their prime buying years.

According to Frank Maly, supervisor, market analysis, Whirlpool, the 25-to-34 and 35-to-44 age groups are the two major segments of appliance consumers. "The first

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HOUSEWARES

Inserts building sales excitement at more stores

By Lynne Kelly, managing editor

NEW YORK—The success of Free Standing Inserts (FSI's) as an advertising medium for housewares is prompting several major retailers to rely even more on this vehicle in 1986. These retailers are finding FSI's to be their most effective advertising tool—generating more sales than individual newspaper ads.

One retailer, who has used inserts for the past four years, credits FSI's with a 25 percent sales increase over the past three years.

Another retailer has made a major change in his advertising in the

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OPERATIONS

Check this out: promising site may suffer from store overload

By Nancy Lang, operations editor

LOS ALTOS, CA—Although that new store location you've been researching looks promising, don't move in yet. There may be too many competitors on the scene already.

How can you figure this out before taking the plunge? Answer: Use a simple formula to determine if "overstoring" exists.

In fact, math often enters into the site selection strategies used by the pros. For example, there are at least three formulas you can employ to make sales projections when choosing a new site.

As for the matter of calculating overstoring, it's as simple as subtracting the "supply" of retail space at a location from potential "demand."

The problem is, according to consultants interviewed by *Merchan-*

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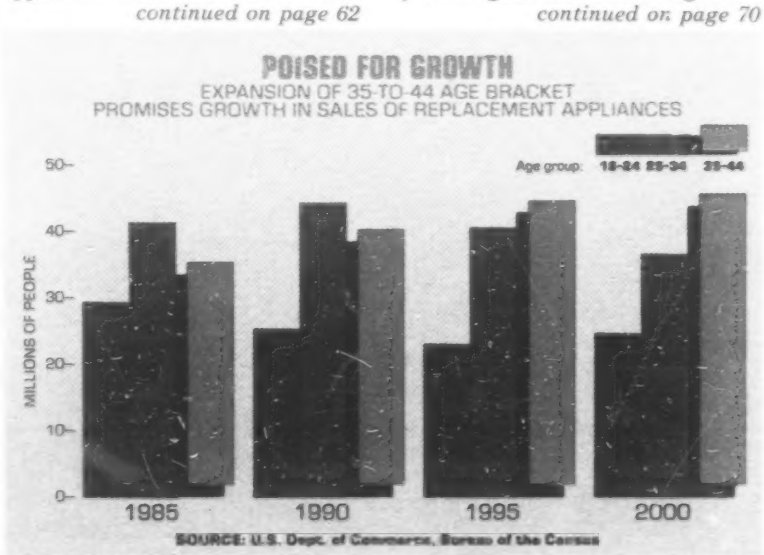
$6.3 billion buys RCA:
GE shocks industry with mega-buck takeover

See page 8



PEAKING IN 2000, the 35-to-44-year-old age group will account for 16.3 percent of the population.

Merchandising

FOR OVER 56,200 RETAILERS & WHOLESALERS

January 1986 / Vol. 11, No. 1 / Our 79th Year

17 PERSONAL ELECTRONICS

New breed of typewriter ads calls on Dr. Ruth, other celebs

Trying to inject new sparkle into their ads, electronic typewriter vendors have recruited the likes of sex therapist Ruth Westheimer and author Sidney Sheldon to help hawk the machines.

29 VIDEO & AUDIO

Earth stations come of age, moving into the mass market

No longer just a specialty item sold out of garages, satellite earth stations will be marketed this year by well-known mass merchants and consumer electronics chains.

57 MAJOR APPLIANCES

Solar energy finds a home: Ma and Pa appliance stores

The manufacturer of a solar-powered hot water heater has targeted the appliance store as the ideal retail outlet for a product with a history of marketing problems.

67 HOUSEWARES

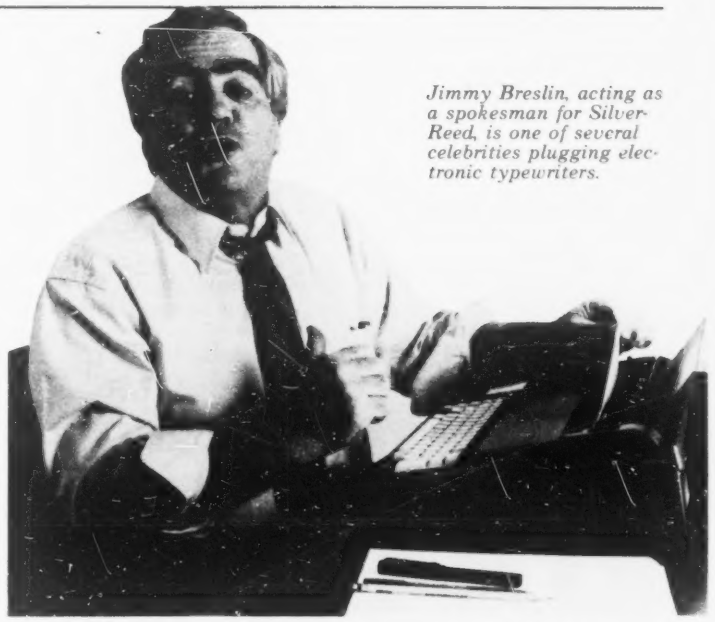
Digital thermometers steal the spotlight in healthcare

Sales of digital thermometers may rise to eight million units this year, double their 1985 volume. It's *the* hot product in a category that otherwise lagged last year.

77 STORE OPERATIONS

You still need money? Try this winning formula

Money for business growth is available, despite what you may think. Financial maven Alan Fishman proposes four steps by which you may be able to find funding.



Jimmy Breslin, acting as a spokesman for Silver-Reed, is one of several celebrities plugging electronic typewriters.

Satellite systems mean high margins for the retailers who sell them.

Ease of installation makes a new solar-powered water heater a good bet for appliance stores. ▶

Blood pressure monitors represented a $135 million market in 1985. ▼

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Executive Office: 1515 Broadway,
New York, NY 10036 • 212-869-1300

David Nussbaum — publisher
Susan Matthews — associate publisher
Lee Rath — associate publisher
Aaron Neretin — editorial and marketing consultant

EDITORIAL STAFF

Editor — Lee Rath
Managing Editor — Lynne Kelly
Sr. Associate Editor — Michael Garry
Associate Editor — Regina Eisman
Market Data Ed — Maureen Haefner
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Management Corres — David W. Richardson
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Editorial Director — Howard Rauch
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Director — Susan Matthews
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Production Director — Barry Miller
Production Manager — Jody Neblett
Production Asst. — Leslie Ogan
Circulation Director — James Fischer
Circulation Manager — Barbara Iavaroni
Classified Manager — Nancy Berman

SALES OFFICES

Eastern Regional Office:
1515 Broadway
New York, NY 10036 • 212-869-1300
Susan Matthews
Edward Judge, Peter Kleinschmidt

Midwest Regional Office:
6160 N. Cicero Ave.
Chicago, IL 60646
312-545-0700

West Coast Regional Office
16200 Ventura Blvd.
Encino, CA 91436
Philip Wexler 818-788-0271

Yukari Media, Inc.
Hus Building
4-21-1-602, Nakanoshima, Kita-Ku
Osaka, Japan
06-448-5011

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Videocassette consumer base is broadening

ST. PAUL, MN—The profile of the blank videocassette consumer is changing: the user base has broadened considerably, according to research from Industrial Market Research.

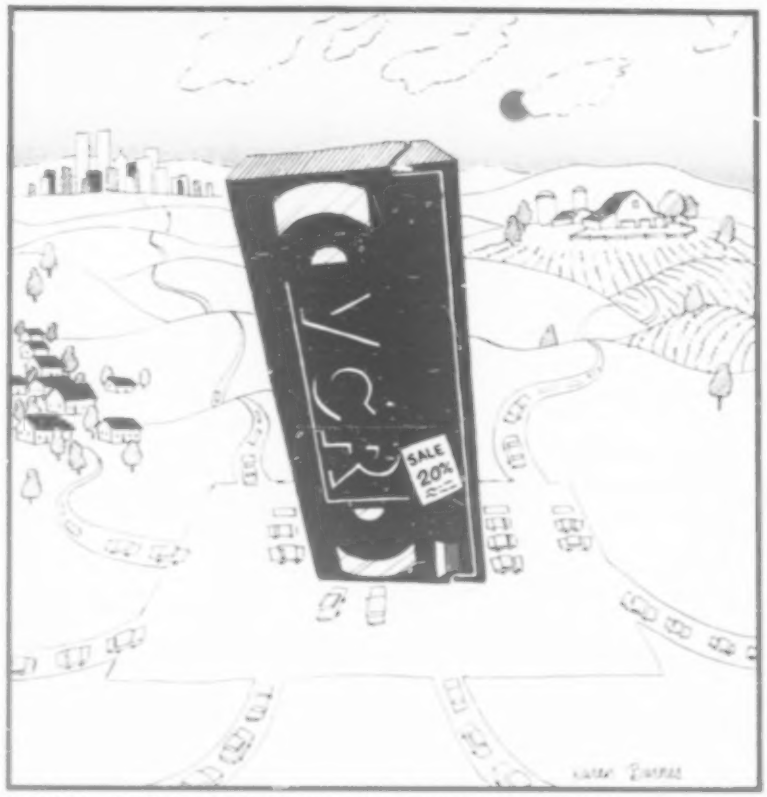
Where once the primary users of blank videocassettes were younger males (25 to 49 years old), a younger group has moved in, in the 18 to 24 age bracket. This group includes an influx of women as well: 40 percent of all purchases in the category are now made by women.

Demographics change

Other demographics have also changed. Formerly, about 70 percent of users had attended or graduated from college. They had a median household income of $32,000. A household typically was comprised of two full-time, white collar employees, with 65 percent of them employed in a professional managerial or clerical position. Seventy-three percent of users were married and 85 percent lived in or near a city.

But as penetration of VCR's increases, said Robert Burnett, marketing director of consumer products, magnetic audio/video division of 3M, who presented the finding to the ITA, there is now also a growing importance in lower, more "average" incomes. A great influx in the households with a $27,000 to $32,000 income bracket can be found.

In addition, single adults now account for 27 percent of all purchasers.



RURAL AREAS ARE MORE IMPORTANT in the blank videotape market than before as the user base broadens, according to a study by Industrial Market Research.

AHAM calls for timesaving info

BENTON HARBOR, MI—There is a great need for more research on how household appliances make daily life easier, said Len Schweitzer (Whirlpool), chairman of the Association of Home Appliance Manufacturers (AHAM) Ad Hoc Committee for Time/Use Research.

AHAM needs research that will tell "positive" stories about how appliances have helped create two wage earner households, Schweitzer said in a telephone interview with *Merchandising*. The only data available now is comprised of two time studies that focus on changes that occur in a household when a new appliance is acquired, the association reported. Both studies are old.

"What's needed is precise data on time savings," Schweitzer said. "We have major research firms coming back to us soon with reports on what type of numbers are needed." The AHAM executive board planned to meet in December to approve a budget for the task.

"We will have to look at the data once it comes in to see what value it will have to the retailer," he said. "We seek to establish a higher image with the public and financial community. We want to promote the industry as a whole."

Merchandising's box scores
(Key shipment gains reported by leading industry trade associations)

	Units Shipped		Percent Change	
	Nov. 1985	Jan.-Nov. 1985	Nov. '85 vs. '84	Jan.-Nov. '85 vs. '84
ELECTRONICS				
Color TV's[1]	1,672,304	+ 8.5%	14,874,951	+ 4.3%
Projection TV's[1]	32,131	+ 58.1	220,403	+ 32.1
Home VCR's[1]	1,349,909	+ 67.7	9,908,690	+ 56.7
MAJOR APPLIANCES				
Microwaves[2]	1,276,200	[illegible]	10,011,800	+ 22.4
Home Laundry[2]	745,400	[illegible]	8,489,900	+ 4.7
	October 1985	Jan.-Oct. 1985	October '85 vs. '84	Jan.-Oct. '85 vs. '84
Free Standing Ranges[3]	164,900	na	1,328,400	na
Drop-In Ranges[3]	3,700	na	30,600	na

Sources: [1]Electronic Industries Association
[2]Association of Home Appliance Manufacturers
[3]Gas Appliance Manufacturers Association
na = not available for 1984

CES products start on page 24

Blank tape sales may total 340 million units in 1986

By Lee Rath, editor/assoc. pub.

NEW YORK—Driven by record sales of hardware, business is booming in the videotape industry. Some 340 million blank cassettes are expected to be sold in the U.S. this year along with 70 million prerecorded tapes.

In addition, sales of accessories—everything from cables to lenses to character generators—are driving the market to new heights.

Still, there are problems. Profits in blank cassettes are far from what they could be. And the prerecorded tape business appears to be reaching a crossroads that could pit sales versus rentals, specialty store versus mass merchant.

Such is the state of the industry as reported by members of the International Tape/Disc Association (ITA) at the organization's recent New York seminar.

Tape sales soar

There will be 340 million blank videocassettes sold in the U.S. this year, up from the 182 million expected for 1985, reported Bob Burnett, marketing director, Magnetic Audio/Video Products div., 3M Co. That adds up to a $1.2 billion retail market, one that will double by 1990 when VCR penetration could reach 72 percent of all homes.

Demographics will continue to shift as younger buyers, more women and households with lower incomes enter the market. Also, "Distribution continues to skew towards the mass merchant, which already has about half," said Burnett.

High-grade tape, which will account for about 15 percent of the market this year, could climb to 25 to 30 percent by 1986/'87.

Nevertheless, all is not well in videotape. "We have," said Burnett, "concentrated sales with a handful of retailers who use the tapes to build traffic." And, in doing so, the industry has "walked away from hundreds of millions of dollars in profits."

"We need merchandising aids, promotions—marketing," he said. "We've got to convince consumers to pay more for a better product. Let's put the fun—and the profit—back in this business."

As for audiotape, the 3M exec said stable, single-digit growth has continued for the past two years as personal electronics products, such as the boombox and personal portable, "bestowed the kiss of life on the audiocassette."

Prerecorded takes off

Some 70 million prerecorded videocassettes could be sold into the market in 1986, compared with the 45 to 50 million reported last year, said Nick Santrizos, president of Thorn EMI/HBO Video, Inc. And that means $1.5 billion wholesale, or double last year.

Some 75 percent of those tapes end up being rented by the more than 20,000 specialty stores now in business, a number that could climb to 30,000 before a shakeout hits, Santrizos said.

That shakeout, he added, could be predicted by mass merchants joining the business in force, and selling rather than renting.

Only two out of six households now buy videotapes, but renters can be converted into buyers, Santrizos said. However, he warned, "Price alone is not a marketing strategy."

He also noted that retailers are finding it increasingly hard to deal with the 450 to 600 new titles that hit the market monthly, not to mention the 40,000 different offerings already available.

"It wreaks havoc with the open-to-buy," he said. And it creates the situation where brokers can buy used titles "by the pound," and use them to set up new stores. "We've got to find some way to sop up the extra product that's floating around out there."

Issues warning

One further note of caution issued by Santrizos concerned pay-per-view programming, which he said is hanging over the industry like the sword of Damocles. It could, he said, hurt rentals of blockbuster titles.

On the duplicating side, the industry is working to reduce costs so that tapes can be sold for less, noted David Rubenstein, vice president of VCA/Technicolor, Inc. "If the right deal can be struck," tremendous sales could result at the mass merchant level, he said.

Projections are that 70 million tapes will be duplicated this year. And since the industry's capacity is 90 million units, there should be no shortages.

U.S. factory sales of prerecorded videocassettes

	Millions of units
1981	5
1982	5
1983	10
1984	22-25
1985	45-50
1986	70

Source: Thorn EMI/HBO Video

U.S. sales of blank videocassettes

	Millions of units		
	1980	1985	1990
Beta	4.75	40.5	37.0
VHS	9.7	140.0	271.0
Eight mm	—	1.0	32.0

Source: 3M

The video accessories market will soon be a multi-billion-dollar business on its own, Edward Boschetti, division vice president and general manager, RCA Distributor and Special Products division, told the audience.

Today, even the basic TV buyer soon finds he needs cables and adaptors. And soon, he may be in the market for splitters, switchers and amplifiers.

If that person opts for a VCR and perhaps a camera or camcorder, batteries, tripods, lenses, microphones, carrying cases and more all come into play.

Looking to the future, Boschetti predicted, "Viewers will want to distribute signals from cable and satellite sources throughout their homes from just one input. The natural corollary to this would be a centralized videotaping capability, making it possible to record at the slightest whim, from anywhere in the home network."

"And to keep all this gear on track, there'll be a need for a universal type of remote control, integrating all communications and video systems as well as electronic appliances in the home," he added. "The end result, of course, will be even more opportunities for increased use of videotape.

"By 1988, we feel that accessory sales will grow to at least $1.4 billion with another $2 billion in tape, for a total of $3.4 billion."

Vendors and dealers disagree on trade issue in electronics

continued from page 36

designed to be outside the political arena and its function is to litigate rather than politicize trade disputes. There has been, he said, a "drastic transformation" of work in the U.S. and it is spilling over into the trade issue politics.

"We are now seeing political controls on the sale of goods and merchandise," according to Ervin.

Lines are drawn

For many industries, the trade issue has been divisive as manufacturers and retailers line up on different sides, a situation particularly true in the case of consumer electronics. This is partially attributable to the fact that Japan, the source of many of these products, has been the focus of so much publicity on the trade imbalance question.

The Electronic Industries Association (EIA) opposes most protectionist initiatives, despite the fact that some of its members are being hurt by imports.

"We support free and fair trade," said Thomas Patton, the EIA's executive director of legislative affairs. "We are not a protectionist supporting organization. We are not in favor of just throwing up trade barriers. We think we should be tougher trading partners and get our trading partners to take down their barriers."

Forcing trading partners to play by existing rules is the approach favored by most retailers. The Association of General Merchandise Chains (AGMC) has been in the forefront of efforts to head off protectionist legislation.

"We welcome the President's commitment to make our trading partners play by the rules," declared AGMC president Edward Borda. "Resolving to end unfair trade practices is completely consistent with a continued commitment to maintaining free trade."

The continued interest in trade may last well beyond the current months. It is a sure bet to be one of the hot issues in next year's election. Until the scales of the trade balance tip back a little in the U.S.'s favor and the budget deficit is reduced, it will remain a major concern for both Congress and the President.

Video & Audio CES products start on page 45

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

	TITLE	Last month's position	Months on chart
1.	**Beverly Hills Cop** *(Paramount)* P	2	2
2.	**Ghostbusters** *(RCA/Columbia)* I	1	2
3.	**Gremlins** *(Warner)* P	—	1
4.	**Emerald Forest** *(Embassy)*	—	1
5.	**Brewster's Millions** *(MCA)* P	17	2
6.	**Code of Silence** *(Thorn EMI/HBO)* P	—	1
7.	**Ladyhawke** *(Warner)* P	9	2
8.	**The Breakfast Club** *(MCA)* P	3	3
9.	**Vision Quest** *(Warner)*	—	1
10.	**A View To A Kill** *(CBS/Fox)*	—	1
11.	**Amadeus** *(Thorn EMI/HBO)* P	4	3
12.	**Perfect** *(RCA/Columbia)*	—	1
13.	**Police Academy II** *(Warner)* P	6	3
14.	**Fletch** *(MCA)* P	—	1
15.	**Lost In America** *(Warner)*	—	1
16.	**Missing In Action II** *(MGM/UA)*	8	3
17.	**Baby: Secret of the Lost Legend** *(Touchstone)*	13	2
18.	**Pale Rider** *(Warner)*	—	1
19.	**Best Of John Belushi** *(Warner)*	—	1
20.	**The Karate Kid** *(RCA/Columbia)* P	15	7
21.	**The Killing Fields** *(Warner)* P	5	4
22.	**Secret Admirer** *(Thorn EMI/HBO)* P	11	2
23.	**Desperately Seeking Susan** *(Thorn EMI/HBO)*P	7	4
24.	**The Sure Thing** *(Embassy)* I	18	4
25.	**American Dreamer** *(CBS/Fox)*	—	2
26.	**Gotcha!** *(MCA)*	10	2
27.	**Just One of the Guys** *(RCA/Columbia)*	—	1
28.	**Nightmare on Elm Street** *(Media)*P	12	6
29.	**Moving Violations** *(CBS/Fox)*	27	2
30.	**Girls Just Want To Have Fun** *(New World)*	—	1

Top 10 in videocassette sales

1.	**Beverly Hills Cop** *(Paramount)* P	1	3
2.	**Pinocchio** *(Walt Disney)* I	5	5
3.	**White Christmas** *(Paramount)*	7	2
4.	**Jane Fonda's New Workout** *(Karl-Lorimar)* P	2	2
5.	**Mary Poppins** *(Walt Disney)* I	—	1
6.	**Gone With the Wind** *(MGM/UA)* P	—	8
7.	**Ghostbusters** *(RCA/Columbia)* I	4	2
8.	**Best of John Belushi** *(Warner)*	—	1
9.	**Madonna: Like a Virgin Tour** *(Warner)*	—	1
10.	**Wizard of Oz** *(MGM/UA)*	—	1

Top 5 in laserdisc sales

1.	**Ghostbusters** *(RCA/Columbia)* I	2	2
2.	**Beverly Hills Cop** *(Paramount)* P	—	1
3.	**Police Academy II** *(Warner)* P	—	1
4.	**Ladyhawke** *(Warner)* P	—	1
5.	**Gone With the Wind** *(MGM/UA)*	—	4

Top 5 in alternative programs

1.	**Jane Fonda's New Workout** *(Karl-Lorimar)* P	2	2
2.	**Jane Fonda's Workout** *(Karl-Lorimar)* P	1	15
3.	**Jane Fonda's Prime Time** *(Karl-Lorimar)* P	3	13
4.	**Madonna: Like a Virgin Tour** *(Warner)*	—	1
5.	**Do It Debbie's Way** *(Video Associates)*	—	8

I —Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)
P—Title has gone platinum—has sold 150,000 on disc and/or cassette and has sales of at least $6 million. (RIAA/Video)
G—Title has gone gold—has sold 75,000 on disc and/or cassette and has sales of at least $3 million. (RIAA/Video)
(For non-theatrical products, the RIAA certifies a Gold award for 30,000 units or a value of $1.2 million in suggested retail price. Platinum awards are given to tapes with 60,000 units or at least $2.4 million in suggested retail value.)

VIDEO/NEW RELEASES

CBS/FOX

THE MAN WITH ONE RED SHOE (1985) When CIA staffers spot violinist Richard Drew (Tom Hanks) coming out of an airplane wearing one red shoe, they think it means something funny is going on. They assign a tour guide (Lori Singer) to follow him, and Drew falls in love with her while trying to figure out why he's being shot at by two CIA agents. *Color 92 minutes PG VHS Hifi Beta Hifi C:$79.98 Closed captioned*

EMBASSY

THE LION IN WINTER (1968) Katherine Hepburn and Peter O'Toole star in this drama, set in the 12th century, about Henry II and Eleanor of Aquitaine. Each family member plots to choose a different successor to Henry, bringing out hidden hostilities and ambitions. *Color 136 minutes PG VHS Beta C:$39.95 LV:$34.95*

KARL-LORIMAR

MR. BOSTON OFFICIAL BARTENDER'S GUIDE (1985) Based on the book of the same name, the video gives step-by-step instructions on mixing more than 50 drinks. Bars and restaurants in six cities are used as locations. A "mixer trivia" quiz is included, as well as sections on setting up a bar and using garnishes. *Color 60 minutes VHS Beta C:$14.95*

MGM/UA

THE HUMAN COMEDY (1943) The story of a small-town family during World War II focuses on the teenage son Homer (Mickey Rooney). William Saroyan, who wrote the novel on which the film was based, won an Academy Award for best original story. *B/W 117 minutes VHS Hifi Beta Hifi C:$24.95*

PARAMOUNT

TEEN WOLF (1985) Teenager Scott Howard wishes that he were more than just an average guy, and he gets his wish by turning into a werewolf. Michael J. Fox is the star. *Color 92 minutes PG VHS Beta C:$79.95 LV: $29.95 Closed captioned.*

RKO

CYRANO DE BERGERAC The Royal Shakespeare Company's Broadway run of the play by Edmund Rostand won rave reviews last year. The video features the same cast members—Derek Jacobi as Cyrano and Sinead Cusack as Roxane. Terry Hands was the director. *Color 176 minutes VHS Beta $59.95*

TOUCHSTONE

MY SCIENCE PROJECT (1985) When high school senior Michael Harlan (John Stockwell) is given two weeks to do a science project in order to graduate, he creates a device that can propel people through time and space—and can also destroy them. The rock band The Tubes provides background music. Also starring Danielle von Zerneck as the love interest and Dennis Hopper as the ex-hippie science teacher. *Color 94 minutes PG VHS Beta C:$79.95*

VESTRON

PRIZZI'S HONOR (1985) This black comedy centers on the consequences of a romance between Mafia hit man Charlie Partanna (Jack Nicholson) and professional assassin Irene Walker (Kathleen Turner). Anjelica Huston, the daughter of director John Huston, plays Charlie's sluttish ex-girlfriend. John Randolph co-stars as Charlie's father. *Color 130 minutes R VHS Beta C:$79.95*

WARNER

MAD MAX BEYOND THUNDERDOME (1985) Mel Gibson returns in the sequel to The Road Warrior (which was a sequel to Mad Max). He clashes with the evil ruler of Bartertown, Aunty Entity (Tina Turner, in her acting debut), and other villians. Directed by George Miller and George Ogilvie. *Color 107 minutes PG-13 VHS Hifi stereo Beta Hifi stereo C:$79.95 LV:$34.98. Closed captioned*

Color newspaper inserts boost housewares sales

continued from page 1

past year—cutting back on individual ads and concentrating on FSI's.

According to statistics from the Newspaper Advertising Bureau, Inc. (NAB), FSI's had a circulation of 41.265 billion in 1984, representing a cumulative growth of 584.7 percent since their inception in 1970.

According to Pat Phavenot, NAB's vice president, retail, Northeast, inserts work well for retailers that do them on a regular basis. "The consumer has been trained to look for inserts—he expects them," she said. "When a customer is looking for a sale, he waits for an insert to come out and he keeps it until he's ready to buy."

Thalhimer's, the Richmond, VA-based department store, began using FSI's four years ago. "We started with one and last year we did 22," said John Frankovich, divisional merchandise manager. "Ours is a very competitive market, and we've had a sales growth of 25 percent over the past three years since we started using them."

Their glossy, four-color FSI's average 24 pages and are inserted in Sunday newspapers. Thalhimer's has 25 stores in four states, and Frankovich estimated the circulation of the inserts to be over 100 million.

"This format allows us to use themes," Frankovich explained. "For example, we recently did a book on tabletops and we showed a room setting that included related merchandise. We also mix value and better merchandise."

FSI's generate sales

FSI's have become the major form of advertising for Paysaver Catalog Showrooms, West Springfield, MA. "We drastically changed our advertising last year," said William Randall, housewares buyer. "We always did newspaper ads, and we will still do some, but our major thrust is now in newspaper inserts." Randall has found FSI's to generate more sales than individual ads. They're more effective," he noted, "and doing multiple pages at one time has more impact than a single ad."

Paysaver did six FSI's last year, and will increase the number to seven this year. Inserted in Sunday newspapers, the two-color inserts feature four-color covers and range in size from eight to 24 pages.

Randall said he will continue to do limited TV and direct mail advertising, but will increase the use of radio in conjunction with the FSI's.

Echoing the NAB's Phavenot, Randall said one reason FSI's are effective is because consumers save them. "They look at newspaper ads once, and throw the paper away, but they tend to hold on to inserts," he theorized.

FSI's have also helped boost sales for Burdine's Miami, FL, according to vice president Herbert A. Hilton. "Compared to ROP," he said, "inserts do much better. Since housewares is an area of emphasis for us, we will be backing this area extensively with inserts. In fact, we have accelerated our promotions for 1986."

Burdine's four-color inserts range in size from 16 to 32 pages, and are inserted in newspapers approximately 2½ times a month. The FSI's are supplemented by 450 to 750,000 mailers sent to the store's charge customers.

At T G & Y, Oklahoma City, OK, FSI's have become the most important advertising vehicle. "We still do Dollar Days and seasonal ads, but we concentrate on inserts," said housewares and giftware buyer Bob Grossman. This discounter does 52 FSI's a year—one each Sunday.

Because FSI's allow more space for photography and product description, retailers can carry out a variety of themes. Grossman said, "It gives us the opportunity to do concept ads. We tie in related items to get a total effect. For example, a closet ad will feature a room setting with coordinating merchandise. We do the same with tabletops, and add accessories and related items. It helps boost sales."

THEMES HELP SELL housewares. At left is Thalhimer's tabletop catalog. Newspapers are introducing style sections, like the Bergen County Record (NJ), right, to encourage housewares advertising.

Products more visible

Several retailers said FSI's also provide greater product visibility than an ad because consumers may not look at every page in a newspaper and could miss an ad. But FSI's stand out in the newspaper.

As the amount of FSI's increase, competing retailers will use more creativity in their inserts, predicted NAB's Phavenot. "They will use heavier stock and better color," she said.

She also noted a trend toward image advertising in FSI's. "Last year's advertising was so promotional, it turned the consumer off," she claimed. "Retailers will begin to use the inserts to create image and establish the store as an authority in the marketplace. Newspaper ads will then back up the inserts."

Don Taylor, housewares buyer for Click Discount Stores, Akron, OH, uses inserts to "promote our image as having the lowest price and the best service."

The popularity of FSI's seems to be a catalyst for the improvement in traditional newspaper advertising. According to Phavenot, newspaper ads are becoming more creative in response to the competition they're getting from inserts.

"Because of the proliferation of inserts, it has caused people to think of newspaper advertising in a different way," she explained.

"For example," she continued, "most newspapers are doing more home entertainment and style sections, featuring more editorial coverage and better color capabilities, because they're aware they must make the editorial environment more conducive to housewares advertising. Likewise, retailers are realizing they should be placing ads in an environment conducive to selling. We are therefore seeing more full page ads and blockbuster pages that dominate the newspaper. Ads are featuring big, bold headlines, better graphics, more illustrations, heavier stock and a more sophisticated use of color."

Despite retailers' enthusiasm over the effectiveness of FSI's, Phavenot warned, "One school of thought on inserts theorizes that FSI's have peaked, and retailers will go back to the traditional form of advertising."

While most retailers might dispute this prediction, the competition between single page ads and inserts can only benefit the housewares retailer, as each area introduces more creative approaches to advertising.

Volume of inserts in Sunday/daily newspapers

	Free-standing inserts (circulation in billions)	Percentage of growth Annually	Cumulatively
1970	7.057	—	100.0
1975	15.800	2.8	223.9
1980	27.733	2.2	393.0
1981	28.708	3.5	406.8
1982	29.966	4.4	424.6
1983	35.727	19.2	506.3
1984	41.265	15.5	584.7

*Based on a 12-page tabloid and includes printing and inserting. A ratio of 55 percent printing and 45 percent inserting has been used. Years prior to 1982 have used a 50/50 ratio.

Source: Newspaper Advertising Bureau, Inc.

MULTIPLE PAGES IMPACT more on customers. Paysaver Catalog Showrooms is upping its catalogs (left) to seven this year. The Denver (right) does blockbuster pages to attract the customers' attention.

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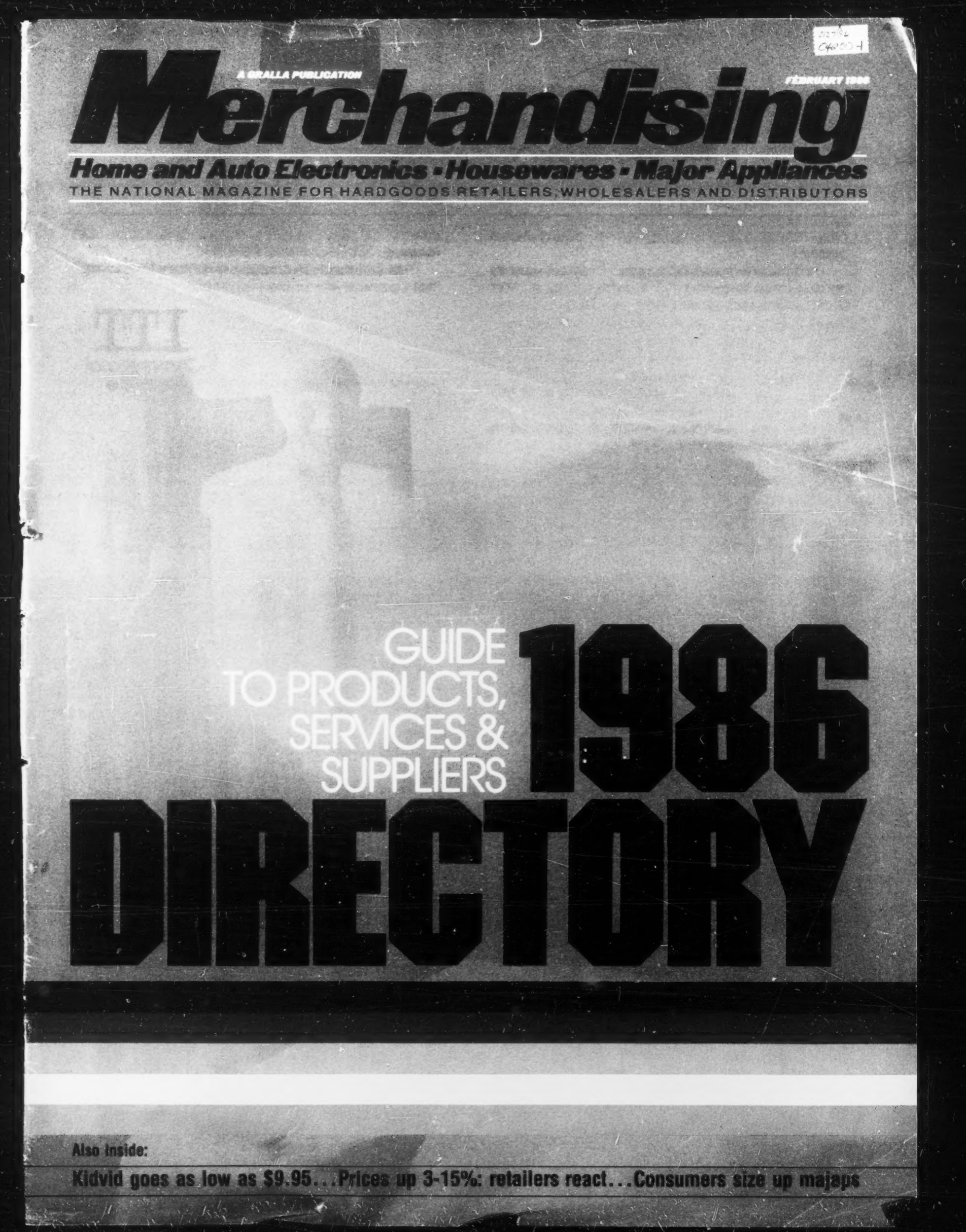
FEBRUARY 1986

Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS



GUIDE TO PRODUCTS, SERVICES & SUPPLIERS

1986 DIRECTORY

Also Inside:

Kidvid goes as low as $9.95...Prices up 3-15%: retailers react...Consumers size up majaps

A GRALLA PUBLICATION

Merchandising

FEBRUARY 1986

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

ELECTRONICS

Dealers greet price hikes with cheers and jeers

By Cheryl Proval, editor

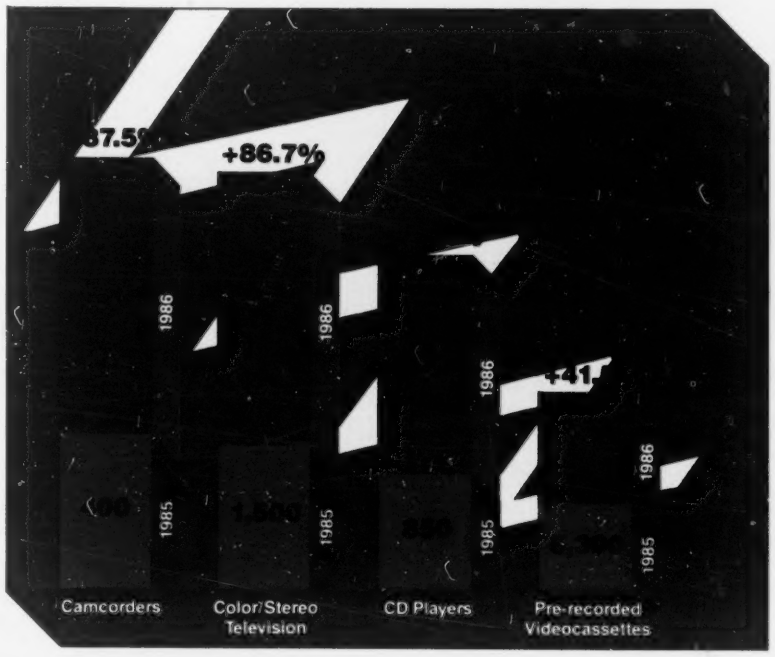
LAS VEGAS—Sometimes they had to look beyond a veneer of added features to find the price increases, but retailers met the promised hikes of 3%-15% in video and audio (see page 16 for summation) with mixed emotions, as they shopped the Winter Consumer Electronics Show.

On the one hand, dealers welcomed the prospect of better margins. But small- and medium-size retailers in competitive markets worried that they would be driven further behind the eight ball on the issue of profitability.

With inventories low, retailers circled the show floor attempting to restock as well as reshuffle their commitments to suppliers. Everyone sought the elusive low-end, name brand, leader VCRs, a category that all but disappeared as 1985 came to a close.

In situations where the retailer felt he could not pass a manufacturer's price increases onto the consumer, that dealer often asked for more co-op dealer advertising, extended terms, better pricing on smaller quantities, more promo-

continued on page 16



1986's BIGGEST GROWTH categories are expected to be led by camcorders, with sales to dealers jumping 87.5 percent to 750,000 units this year. Also look for more activity in color/stereo television, with projected sales to dealers at 2,800,000, representing an 86.7 percent jump. CD players and pre-recorded videocassettes will also be hot properties.

HOUSEWARES

Do disposables pose new threat to retailers?

By Nancy Markov, field editor

CHICAGO—Already up against a lot of competition, microwave cookware dealers could find the going getting even tougher. New product entries in the "disposable" category give outlets such as supermarkets and drug chains a good reason to enter this business.

Disposables are becoming a strong category as today's average consumer spends less on cookware, and microwave oven prices drop—many to $100.

Microwave usage outside the home is also growing, increasing the demand for disposables. This type of cookware makes sense for college students and office workers.

Are suppliers afraid that the sales of low-end sku's could cut into their traditional microwave cookware business? Not right now. They insist that repeat sales of the disposable-type products will create additional volume. The product is perfect, they say, for the recipe made only

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APPLIANCES

Price, practicality and brands move suburbanites to buy majaps

By Nancy Markov, field editor

HIGHLAND PARK, IL—What's important to a major appliance consumer? Price, brands and the freedom to "shop" without a salesman at her elbow—until she's ready for one.

She doesn't read ads. But brand name is demanded. So is a strong store reputation—in case something goes wrong. She sometimes checks warranties but thinks service contracts are a waste of money.

Recently, *Merchandising* met with five consumers from the suburbs of Chicago. At a time when there is much talk of today's consumer trading up, their answers were, in some cases, surprising.

The consumers, all Chicago area residents, were women who had been married an average of 25 years, with three to five children. Participants included Nuna Rossi, Ellie Pagano, Mary Schager, Rae Fritz and Millie DeCroocq.

Merch: What would you do if one of your appliances broke down? Would you shop several stores before purchasing a new one?

ROSSI: "My dryer broke last week. I wanted to replace it with exactly what I had—a Maytag. I had a Maytag for 25 years and it never broke. I could have had it repaired but the job would have cost over $150 and it really wasn't worth it to put so much money into an old appliance.

"But I didn't want to pay full price. So I went to V.J. Killian Plumbing Co. and told them that I wanted to buy a dryer. But I asked why I should pay full price when I could go to Polk Brothers and get a discount. I got the discount from Killian and by 3 p.m. that afternoon I had a new dryer.

"Killian didn't discount the price too much, but he made me happy that I didn't pay full price. I have done business with his store for 18 years."

PAGANO: "If one of my appliances broke down, I would first

continued on page 32

CES

Congress won't act on proposed audio royalty tax, according to panel of congressmen. For WCES coverage, turn to pages 15 to 20.

Video software section
Kidvid pricing down
Video buying tips
see page 21

OPERATIONS

Insurance outlook darkens due to intro of two new commercial formats

By Nancy Lang, operations editor

NEW YORK CITY—As premiums skyrocket and coverage gets harder to find, the insurance industry has imposed two drastic changes which could make the situation even worse.

The first change could result in coverage gaps if an insured changes companies. The second change could leave the insured with no coverage at all if he exhausts his limits before the end of the policy period. In both cases, the retailer is the loser.

The new commercial general liability (CGL) formats, which went into effect January 1 in 14 states, represent the insurance industry's efforts to recoup record-breaking

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Merchandising
FOR OVER 56,200 RETAILERS & WHOLESALERS

February 1986 / Vol. 11, No. 2 / Our 79th Year

12 PERSONAL ELECTRONICS

Dealers sound off on home computer's future

While retailers are not enthusiastic about the market, they do show great interest in software and peripherals, particularly the spiffy new color monitors and the range of available modems.

15 VIDEO & AUDIO

Will CD players rejuvenate audio rack system margins?

Competition in the rack system business is causing dealers to look at the compact disc player as a winning way to raise profit margins.

21 SPECIAL VIDEO SECTION

Kidvid pricing plummets; vendors recognize key to sell through

Many suppliers are bowing to retailer pressure to drop prices on children's product. Rock-bottom prices, however, will not necessarily translate into increased sales.

26 HOUSEWARES

Ads and promos help Caldor hit home healthcare jackpot

A stepped-up promotional program and a switch from newspaper advertising to color circulars has helped this mass merchant sell healthcare products.

30 MAJOR APPLIANCES

Best Buy shares strategies for profit-making, expansion

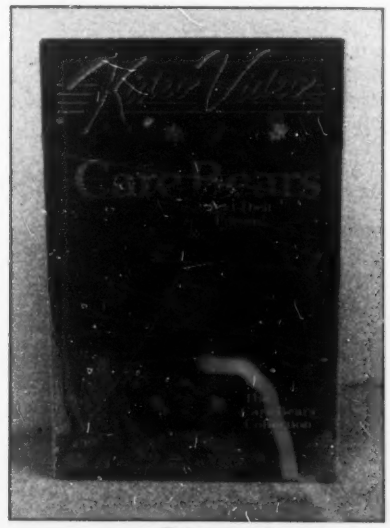
In 1985, the 12-store chain added four superstores and grossed $56 million, doubling its sales volume. The company's president shares some secrets for success.

36 STORE OPERATIONS

Computers can play key role in cutting advertising costs

How do you choose which of your ads are effective? By using a computer, you can pinpoint the answers, say retailers who spoke at a CES seminar.

What will determine the PC's future? Vendors say hardware, dealers say software.



Prices are dropping on "kidvid"—suppliers say sales depend on it.

Blood Pressure Machine
3999
REG. $9.99
Save $20. With digital readout and microphone-less cuff. Detect high blood pressure easily. From Norelco. #HC3001

Ads like this one help Caldor succeed with blood pressure monitors.

DEPARTMENTS

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David Nussbaum ..... publisher
Susan Matthews ..... associate publisher
Aaron Neretin ..... editorial and marketing consultant

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Editor ..... Cheryl Proval
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Susan Matthews
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312-545-0700

West Coast Regional Office
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TADS skew towards male

MOUNTAIN LAKES, NJ—Telephone answering devices (TADs) are becoming even more of a man's product.

That's the inference that can be drawn from the results of Mobile Communications Update 1985, a study conducted by Solomon-Wolff Associates, Inc.

Male buyers represented 59 percent of TAD purchasers in '85, compared to 56 percent in '84. Female buyers accounted for 41 percent of buyers in '85 vs. 44 percent in '84.

This has important implications for the retailer because the shopping patterns and types of retailer patronized by men and women differ.

Electronics stores are the type of outlet shopped most frequently by both men and women, but this type of retailer accounts for less than one-third of all TAD sales. (31.9 percent of all male TAD customers bought the devices in electronic stores in '85, as did 31.7 percent of the female purchasers of TADs.)

Four other outlets—department stores, catalog showrooms, phone stores and office supply stores—are shopped more frequently by males. As a group they account for 39 percent of all TAD unit sales, but 44 percent of sales to men [*see chart*].

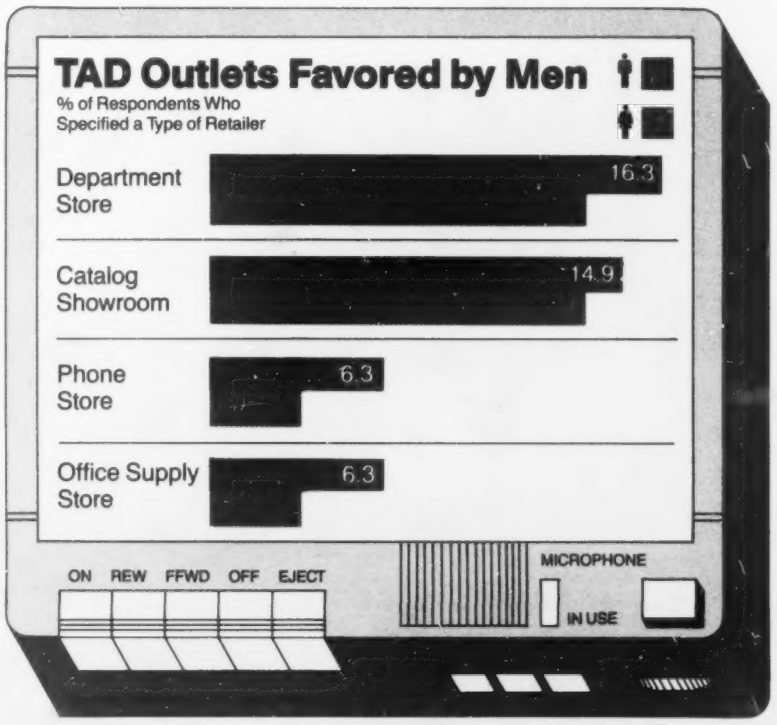
If men continue to account for more sales than women, these types of outlets can expect greater TAD sales than discount stores or mail order catalogs. Females shop those outlets more frequently than men. (22.5 percent of all female TAD customers bought their machines at discount stores in 1985, vs. 19.8 percent of all male customers, and 12.1 percent of the female TAD market purchased through mail order catalogs, vs. only 4.5 percent of all male buyers.) These types of outlets account for 29 percent of overall TAD sales, but almost 35 percent of TAD sales to women.

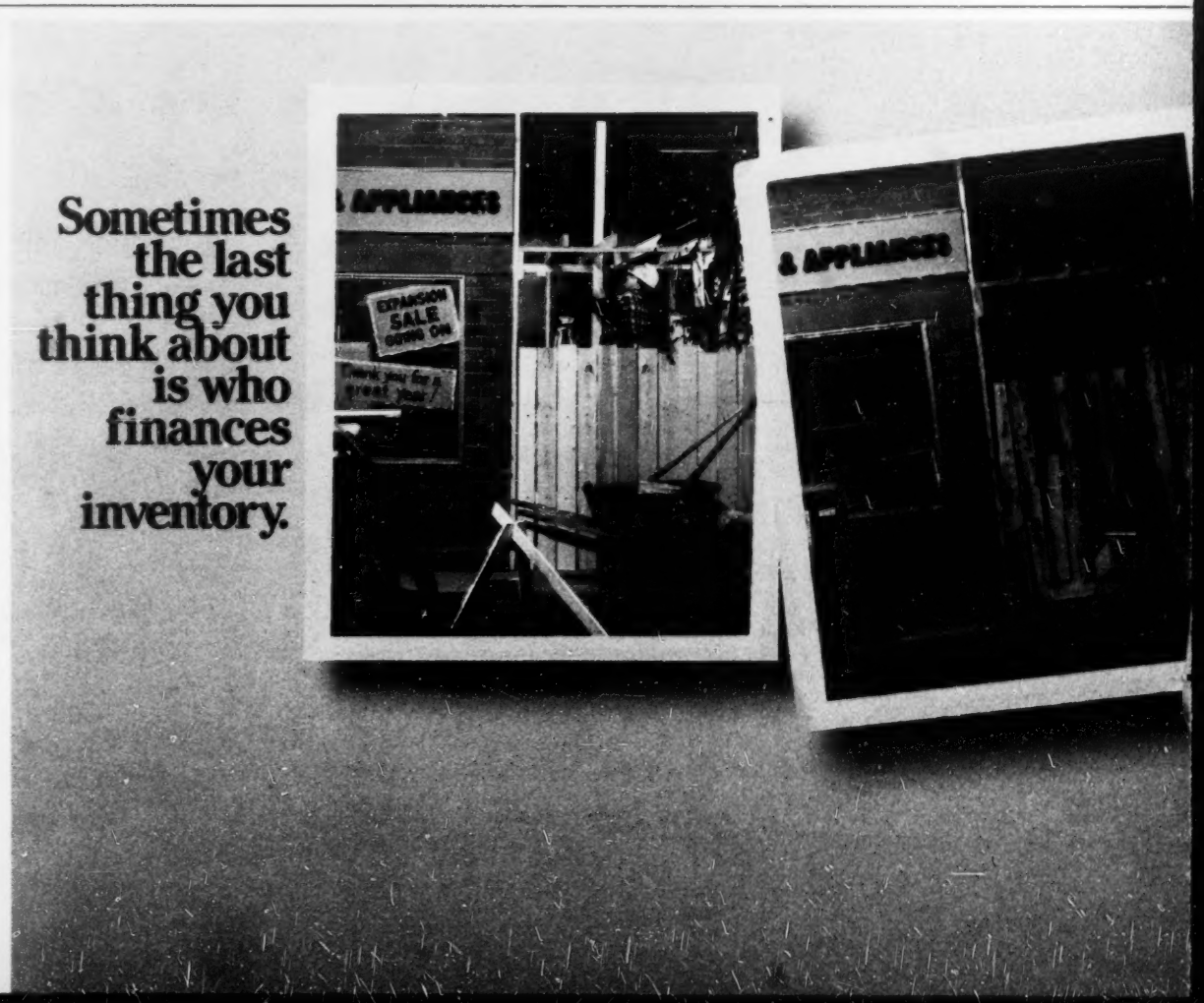
What's needed to boost sales of TADs to women? More friendly technology, according to Warren Marr, senior vice president of Record a Call.

"One-touch recording is good for the female market because women are often more intimidated by technology than men," Marr said.

Sample size of TAD owners was 2,700 nationally.

Price for the entire Mobile Communications Update 1985 is $4,900. Contact Douglas Solomon, managing director, 165 Laurel Rd., Mountain Lakes, NJ 07046.

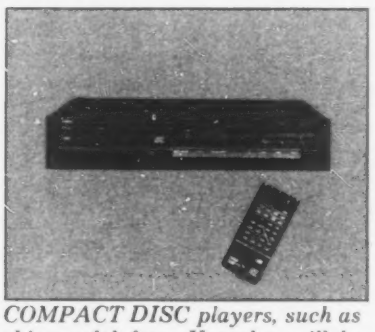




Camcorders top EIA growth list

LAS VEGAS—1986 should be a year of rather modest growth in most consumer electronics categories. Only a few products are really expected to show dynamic growth: camcorders, stereo TV's, prerecorded video and CD players *(see cover chart)*.

So reported the Electronic Industries Association/Consumer Electronics Group in its projected 1985 and estimated 1986 sales to dealers in the U.S.



COMPACT DISC players, such as this model from Yamaha, will be among the three big growth categories for 1986.

Other growth categories include projection TV, which is projected to increase from 260,000 to 320,000 sell-ins in '86. Table model VCR sales should increase to 11,300, up from 10,750 units. (Total VCR sales for '86 should hit 12.5 million.)

One-brand component systems, including rack systems, should increase in unit sales from 1,600,000 in '85 to 1,700,000 in '86. Total audio component and compact systems will hang on with 3,200,000 in sales to dealers.

Home computer software should see notable growth in '86, with unit sales up to 65,000,000 from '85's 50,000,000. And satellite earth station systems should hit the 700,000 mark this year, up from 600,000 in '85.

Projected sales of residential gas ranges

	1984 Actual	1985 Industry Consensus	1986 Industry Consensus	Percent Change 1985-86
Free-standing, Slide-In,	1,535,900	1,539,400	1,555,800	+ 1.1
Drop-In	—	36,000	35,400	– 1.7
Over/Under	90,500	82,400	82,200	– 0.2
Built-In Ovens	105,700	100,300	100,300	—
Total	**1,732,100**	**1,758,100**	**1,773,700**	**+ 0.9**

Source: Gas Appliance Manufacturers Association (GAMA)

MERCHANDISING'S Box Scores

Key shipment gains reported by leading industry associations

	Units Shipped December '85	Units Shipped Jan.-Dec. '85	Percent Change December '85 vs. '84	Percent Change Jan-Dec. '85 vs. '84
ELECTRONICS				
Color TV's[1]	1,953,780	16,828,731	+ 7.0%	+ 4.6%
Projection TV's[1]	40,553	260,953	+ 43.3	+ 33.7
Home VCR's[1]	1,768,556	11,677,446	+ 36.7	+ 53.3
MAJOR APPLIANCES				
Home Laundry[2]	702,200	9,192,100	+ 12.4	+ 5.3

	November 1985	Jan.-Nov. 1985	November '85 vs. '84	Jan.-Nov. '85 vs. '84
Free Standing Ranges[3]	143,700	1,472,100	na	na
Drop-In Ranges[3]	2,700	33,300	na	na

Sources: [1]Electronic Industries Association
[2]Association of Home Appliance Manufacturers
[3]Gas Appliance Manufacturers Association
na = not available

Clock consumers look for fashion

SKOKIE, IL—Styling is the most important factor in the purchase of a wall clock, according to a study by Spartus Corp.

"Consumers are more fashion conscious these days," said Spartus president Bob Mariani. "Today's fashion trends dictate more frequent changes for most models.

"For example, eight years ago, fewer wood clocks were sold than today. Now, wood clocks are a growth area.

"This is not to say that the clock business is becoming as trendy as the apparel business," he said.

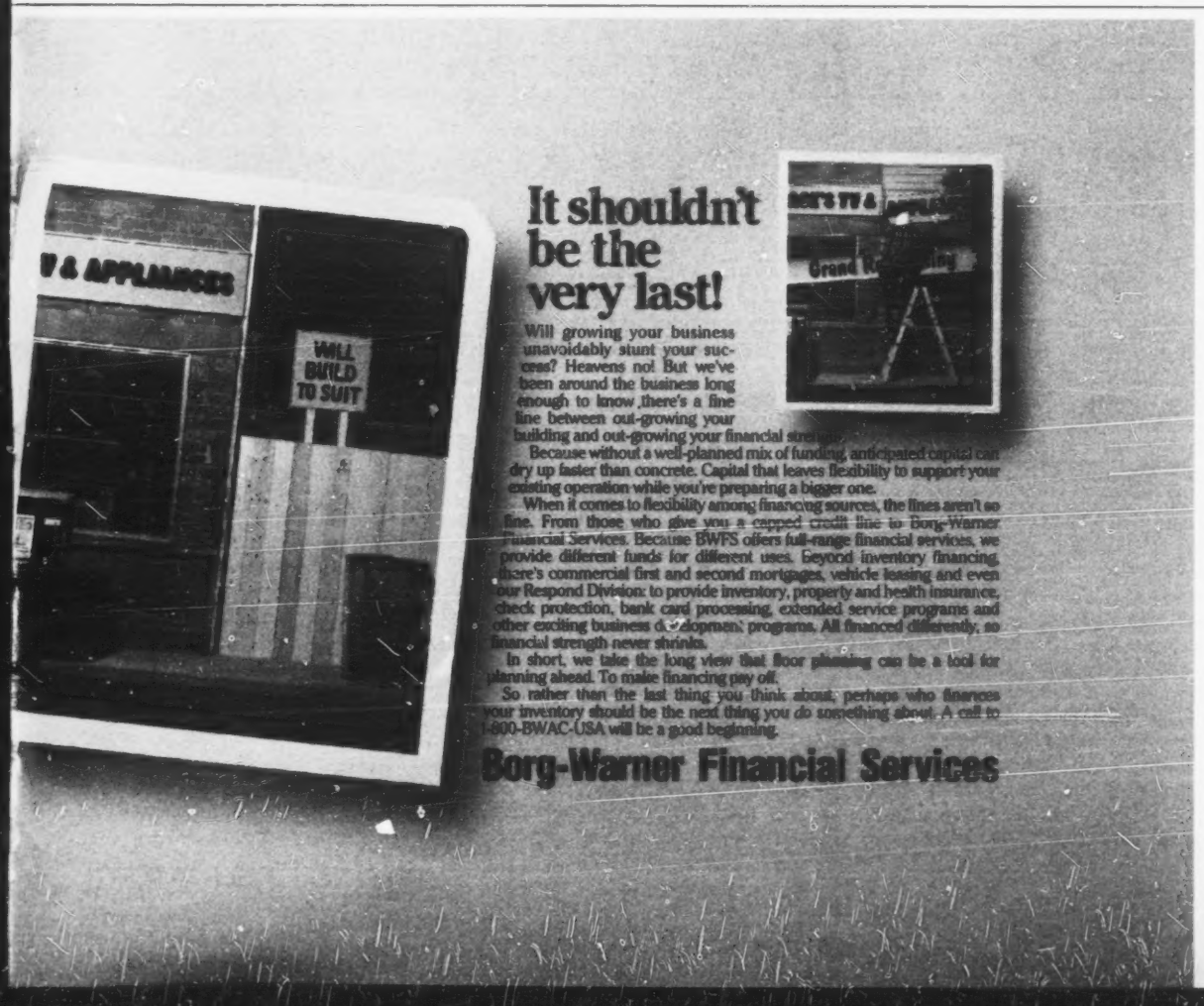
Other findings from the research that involved consumer panels and more than 1,000 individual interviews nationally:

- Styling is followed in importance by product quality, price and brand name.
- At least 25 percent of all wall clocks are purchased as gifts.
- The majority of wall clocks are purchased by women between the ages of 25 and 54.

Correction

In the January's *Merchandising's* Box Scores, two columns of figures were inadvertently switched. The correct figures for the column marked Units Shipped Jan.-Nov. 1985 appear in the column marked Percent Change Nov. '85 vs. '84. The correct figures for the column marked Percent Change Nov. '85 vs. '84 appear in the column marked Units Shipped Jan.-Nov. 1985.

The same holds true for the October shipment information that appears courtesy of GAMA. *Merchandising* regrets the error.


WILL BUILD TO SUIT
It shouldn't be the very last!
Will growing your business unavoidably stunt your success? Heavens no! But we've been around the business long enough to know there's a fine line between out-growing your building and out-growing your financial structure.
Because without a well-planned mix of funding, anticipated capital can dry up faster than concrete. Capital that leaves flexibility to support your existing operation while you're preparing a bigger one.
When it comes to flexibility among financing sources, the lines aren't so fine. From those who give you a capped credit line to Borg-Warner Financial Services. Because BWFS offers full-range financial services, we provide different funds for different uses. Beyond inventory financing, there's commercial first and second mortgages, vehicle leasing and even our Respond Division: to provide inventory, property and health insurance, check protection, bank card processing, extended service programs and other exciting business development programs. All financed differently, so financial strength never shrinks.
In short, we take the long view that floor planning can be a tool for planning ahead. To make financing pay off.
So rather than the last thing you think about, perhaps who finances your inventory should be the next thing you do something about. A call to 1-800-BWAC-USA will be a good beginning.
Borg-Warner Financial Services

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

TITLE	Last month's position	Months on chart
1. **Beverly Hills Cop** *(Paramount)* P	1	3
2. **Gremlins** *(Warner)* P	3	2
3. **Ghostbusters** *(RCA/Columbia)* I	2	3
4. **A View To A Kill** *(CBS/Fox)*	10	2
5. **Code of Silence** *(Thorn EMI/HBO)* P	6	2
6. **Fletch** *(MCA)* P	14	2
7. **Emerald Forest** *(Embassy)*	4	2
8. **Pale Rider** *(Warner)*	18	2
9. **The Breakfast Club** *(MCA)* P	8	4
10. **Brewster's Millions** *(MCA)* P	5	3
11. **Amadeus** *(Thorn EMI/HBO)*	11	4
12. **Perfect** *(RCA/Columbia)*	12	2
13. **Vision Quest** *(Warner)*	9	2
14. **Ladyhawke** *(Warner)* P	7	3
15. **Police Academy II** *(Warner)* P	13	4
16. **Gotcha!** *(MCA)*	26	3
17. **D.A.R.Y.L.** *(Paramount)*	—	1
18. **Baby: Secret of the Lost Legend** *(Touchstone)*	17	3
19. **Best Of John Belushi** *(Warner)*	19	2
20. **Prizzi's Honor** *(Vestron)* P	—	1
21. **Secret Admirer** *(Thorn EMI/HBO)* P	22	3
22. **Life Force** *(Vestron)*	—	1
23. **The Killing Fields** *(Warner)*P	21	5
24. **Explorers** *(Paramount)*	—	1
25. **Mask** *(MCA)*	—	1
26. **Lost in America** *(Warner)*	15	2
27. **Desperately Seeking Susan** *(Thorn EMI/HBO)* P	23	5
28. **Just One of the Guys** *(RCA/Columbia)*	27	2
29. **The Heavenly Kid** *(Thorn EMI/HBO)*	—	1
30. **Gone With The Wind** *(MGM/UA)*	—	4

Top 10 in videocassette sales

1. **Beverly Hills Cop** *(Paramount)* P	1	4
2. **Pinocchio** *(Walt Disney)* I	2	6
3. **White Christmas** *(Paramount)*	3	3
4. **Best of John Belushi** *(Warner)*	8	2
5. **Dumbo** *(Walt Disney)*	—	3
6. **Gone With the Wind** *(MGM/UA)* P	6	9
7. **Wizard of Oz** *(MGM/UA)*	10	2
8. **Ghostbusters** *(RCA/Columbia)* I	7	3
9. **Walt Disney's Comedy & Magic Revue** *(Walt Disney)*	—	1
10. **Jane Fonda's New Workout** *(Karl-Lorimar)* P	4	3

Top 5 in laserdisc sales

1. **Ghostbusters** *(RCA/Columbia)* I	1	3
2. **Beverly Hills Cop** *(Paramount)* P	2	2
3. **A View To A Kill** *(CBS/Fox)*	—	1
4. **Star Trek III: The Search For Spock** *(Paramount)*	—	5
5. **Police Academy II** *(Warner)* P	3	2

Top 5 in alternative programs

1. **Jane Fonda's New Workout** *(Karl-Lorimar)* P	1	3
2. **Jane Fonda's Workout** *(Karl-Lorimar)* P	2	16
3. **Jane Fonda's Prime Time** *(Karl-Lorimar)* P	3	14
4. **Do It Debbie's Way** *(Video Associates)*	5	9
5. **Motown 25: Yesterday, Today, Forever** *(MGM/UA)*	—	1

I —Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)
P —Title has gone platinum—has sold 150,000 on disc and/or cassette and has sales of at least $6 million. (RIAA/Video)
G—Title has gone gold—has sold 75,000 on disc and/or cassette and has sales of at least $3 million. (RIAA/Video)
(For non-theatrical products, the RIAA certifies a Gold award for 30,000 units or a value of $1.2 million in suggested retail price. Platinum awards are given to tapes with 60,000 units or at least $2.4 million in suggested retail value.)

VIDEO/NEW RELEASES

CBS/FOX

RETURN OF THE JEDI (1983) The denouement of the Star Wars trilogy features the well-loved characters Luke Skywalker (Mark Hamill), Princess Leia (Carrie Fisher) and Han Solo (Harrison Ford). This movie wraps up the plot begun in Star Wars and carried through in the Empire Strikes Back. In a showcase of special effects, viewers are also introduced to the obese Jabba the Hutt and the cloyingly cute Ewoks. Written by George Lucas and directed by Richard Marquand. *Color PG 132 minutes VHS Hifi stereo Beta Hifi stereo C: $79.98 Closed-captioned.*

EMBASSY

THE DAY OF THE DOLPHIN (1972) George C. Scott stars as a marine biologist whose success in teaching a dolphin to talk leads to a snare of intrigue and subterfuge. The result is a classic battle against an unthinking Establishment. Also starring Trish Van Devere. Scripted by Buck Henry from Robert Merle's novel and directed by Mike Nichols. *Color PG 104 minutes VHS Hifi mono Beta Hifi mono C: $39.95.*

KEY

KEY EXCHANGE (1985) This romantic comedy follows the ups and downs of a New York "yuppie" couple, Lisa and Philip. The two lovers (played by Brooke Adams and Ben Masters, recreating their roles in Kevin Wade's off-Broadway hit), make the committment of exchanging keys to their apartments. Shot on location in New York City and set against a background of bicycle riding and racing, Key Exchange has some interesting thoughts on modern romance. It also marks the feature film debut of Emmy award winning director Barnet Kellman and features performances by Daniel Stern, Danny Aiello and Tony Roberts. Available Feb. 18. *Color R 96 minutes VHS stereo Hifi Beta Hifi C: $79.98. Closed-captioned.*

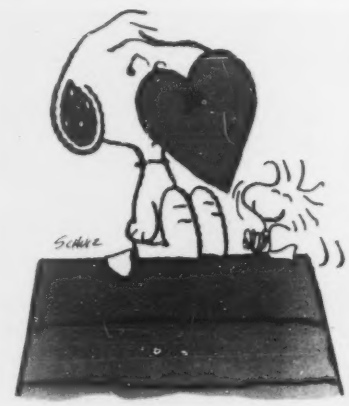
MERIDIAN

YOUR NEWBORN BABY (1985) Designed to answer questions and calm fears, this hour-long educational cassette features Joan Lunden, co-host of ABC's Good Morning America and Dr. Jeffrey L. Brown, F.A.A.P. Consisting of eleven "chapters," viewers are guided through pre-natal decision-making to post-natal babycare. Written by Sue Castle and directed by Todd Ken-Reed. Available Feb. 18. *Color 60 minutes VHS Beta C: $39.95.*

SONY

JOHN LENNON LIVE IN NEW YORK CITY (1985) This is a previously unissued videotape of the only fully rehearsed public concert John Lennon performed between the Beatles' 1966 American tour and his death in 1980. Lennon took to the stage at Madison Square Garden for a benefit show organized by Geraldo Rivera and the result is a lively performance from one of rock and roll's true legends. Features digitally mastered sound. *Color 60 minutes VHS Hifi stereo Beta Hifi stereo 8mm C: $29.95.*

MEDIA



BE MY VALENTINE, CHARLIE BROWN (1975) The course of true love runs amok in this animated Peanuts special. Lucy wants a card from Schroeder, who only has eyes for Beethoven; Sally chases Linus, who has a crush on his teacher; and, of course, Charlie Brown angles to meet the little red headed girl. Written by Charles Schulz and directed by Phil Roman. *Color 25 minutes VHS Beta C: $14.95.*

WARNER

NATIONAL LAMPOON'S EUROPEAN VACATION (1985) The less-inspired but high-grossing sequel to 1983's National Lampoon's Vacation once again stars Chevy Chase as the pratfalling Clark Griswald. After he wins a free trip to the continent on a game show, Europe somehow will never be the same. Co-starring are Beverly D'Angelo, Jason Lively and Dana Hill, with a cameo by Monty Python alumnus Eric Idle. Directed by Amy Heckerling. Scheduled release date is Feb. 17. *Color PG-13 94 minutes VHS hifi mono Beta Hifi mono C: $79.95 LV: $34.98 Closed-captioned.*